



Daniel Morgan Middle School

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2006



**CITY OF WINCHESTER,
VIRGINIA**

The cover picture is of Daniel Morgan Middle School. The \$32 million Daniel Morgan Middle School expansion and renovation project was completed on schedule in August 2006. This project added approximately 130,000 square feet, including new classroom and laboratory spaces, cafeteria, gymnasium, auditorium, and library. The project also fully renovated the existing middle school building which was constructed in 1974. Approximately 1100 students in grades 5 through 8 now attend Daniel Morgan.

CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006

Prepared By:
City of Winchester
Finance Department

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**CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006**

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

Elizabeth A. Minor, Mayor
Charles T. Gaynor, President
Carolyn T. Griffin, Vice President
Jeffrey B. Buettner, Vice Mayor

Glen P. Burke
J. Stephen Bauserman
Timothy S. Coyne
Michael L. Butler
Stewart R. Masters

L. D. Rick Nelson
Richard S. Helm
Theodora L. Rezba
Philip E. Pate

OFFICIALS

Edwin C. Daley, City Manager
Robin L. Link, Deputy Clerk of Council

CONSTITUTIONAL OFFICERS

Leonard W. Millholland, City Sheriff
R. Mark Garber, City Treasurer
Terence H. Whittle, Clerk of the Circuit Court
John G. Russell III, Commissioner of Revenue
Alexander R. Iden, Commonwealth's Attorney

OTHER OFFICIALS

Sharen E. Gromling
Robert C. Mongold
Richard C. Nelson
James W. Deskins

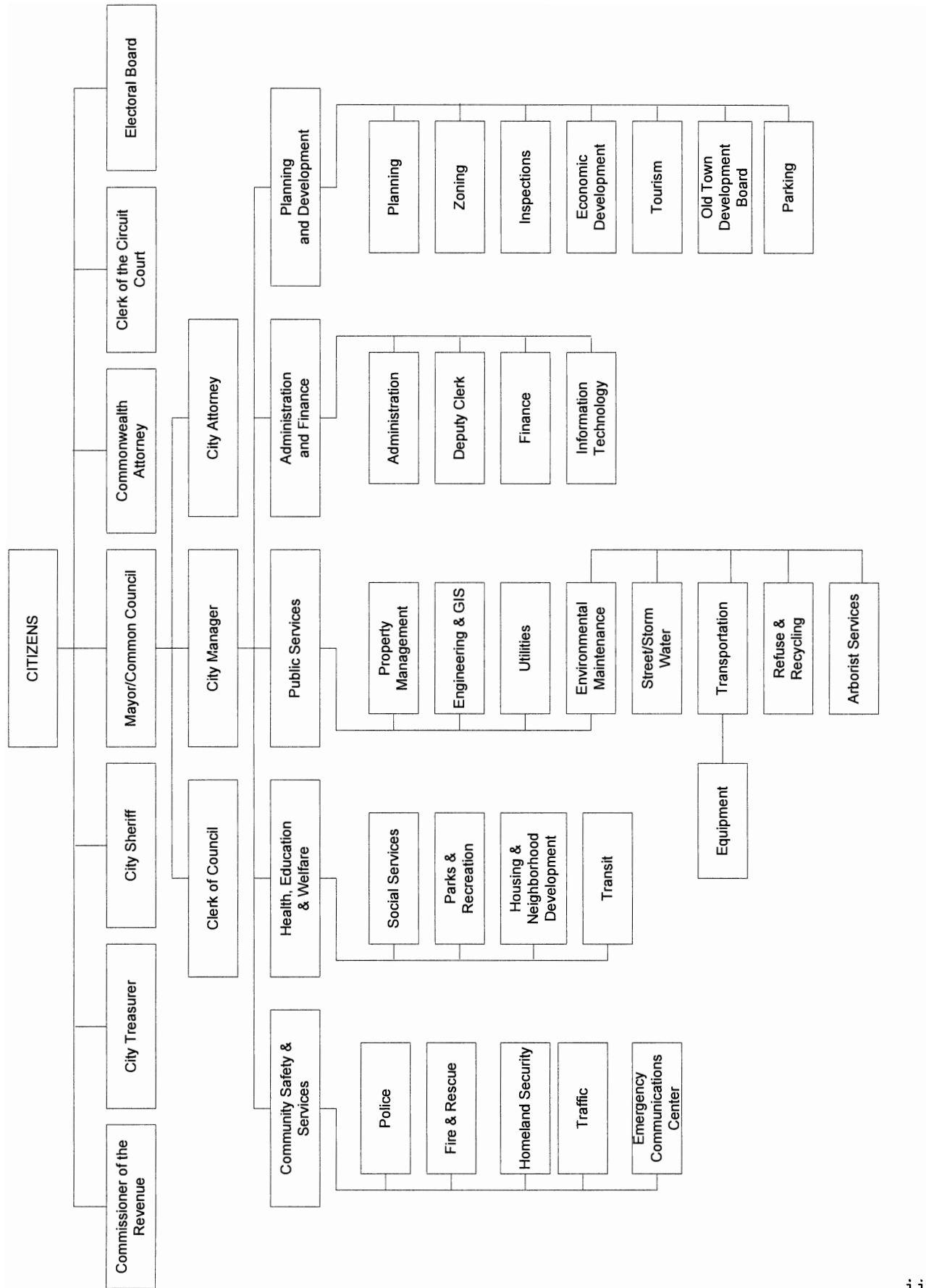
Mary M. Blowe
Frank E. Wright
Thomas D. Lloyd

Robert T. Mitchell, Jr.
Karen B. Helm

Bradley S. Veach
Timothy A. Youmans
Eric W. Varnau
Thomas E. Hoy

Carla Taylor
Dennis W. Kellison
Joyce S. Braithwaite
Gary E. Longerbeam

Director of Administration
Assessor
Building Official
Economic Redevelopment
Director
Finance Director
Fire and Rescue Chief
Information Technology
Director
Acting City Attorney
Old Town Development
Director
Parks & Recreation Director
Planning Director
Police Chief
Acting Environmental
Maintenance Director
Social Services Director
Superintendent of Schools
Voter Registrar
Winchester Parking Authority
Director





CITY OF WINCHESTER, VIRGINIA

Rouss City Hall
15 North Cameron Street
Winchester, VA 22601

Telephone: 540/667-1815
FAX: 540/723-0238

November 15, 2006

To the Honorable Mayor and Members of the City Council
To the Citizens of the City of Winchester
Winchester, Virginia

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Winchester, Virginia for the fiscal year ended June 30, 2006 is submitted herewith pursuant to Section 15.1-166 & 167 of the Code of Virginia. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of all the funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The Comprehensive Annual Financial Report is presented in four sections:

Introductory Section - This section is designed to give the reader of the report basic background information about the governmental unit as a whole. It includes the table of contents, a listing of principal officials of the City, an organizational chart, the letter of transmittal, and the Certificate of Achievement for Excellence in Financial Reporting.

Financial Section - This section includes the Management's Discussion and Analysis; the Independent Auditor's Report; the basic financial statements; required supplementary information; and other supplementary information.

Statistical Section - This section includes selected financial and demographic information, covering a period of ten (10) years.

Single Audit Section - The City is required to undergo an annual single audit in conformity with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditure of federal awards, schedule of findings and questioned costs, and auditor's reports on internal control structure and compliance with applicable laws and regulations are included in this section of the report.

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse; to ensure that adequate accounting data are compiled; and to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Didawick & Knopp, P.C. performed the City of Winchester's audit for the fiscal year ended June 30, 2006. In addition to complying with the requirements set forth in the State Statutes, the audit was designed to comply with the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

Generally accepted accounting principals require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Winchester's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Winchester

The City of Winchester is located in the northern tip of Virginia in the Shenandoah Valley. Winchester, founded in 1744, is the oldest city in Virginia west of the Blue Ridge Mountains. The City currently occupies a land area of 9.2 square miles and serves a population of 25,119. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, 97 miles away.

The City of Winchester has a Council/Manager form of government. The thirteen member Council consists of a Mayor and twelve Councilors who are elected at-large and serve for a period of four years. In the governance of the City, the Council is charged with the responsibility of establishing policies and enacting ordinances and resolutions. The City Manager is appointed by the Council, and is charged with the responsibility of administering daily operations and implementing Council directives.

The City provides a full range of services, including the following: police and fire protection; emergency response and rescue services; education; water and sewer services; refuse removal and disposal services; the construction and maintenance of highways, streets and infrastructure; parks and recreational activities; cultural events; parking facilities; transit services; social services; planning and zoning; and general administration. All moneys required to support these services are reflected in this report.

The CAFR includes all funds, component unit agencies, and boards and commissions for which the City is financially accountable. Financial accountability is defined as appointment of a voting majority of such an entity's Board, and either (a) the ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the City.

Based on the foregoing criteria, the financial activities of the following organizations are included in the financial statements for the reasons indicated:

- ◆ Winchester Parking Authority (WPA): The City of Winchester created the WPA to plan and foster the development of off-street parking facilities. The WPA is included in the accompanying financial statements as the City appoints all WPA members and is able to impose its will on the WPA.
- ◆ Winchester School Board (Board): The Board was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. All members of the Board are appointed by the City's Common Council, which has the ability to impose its will upon the Board.

Financial activities of the following joint ventures and other related organizations are not included in the CAFR, but are disclosed in the notes to the financial statements in accordance with pronouncements of the Governmental Accounting Standards Board:

- ◆ Frederick-Winchester Service Authority
- ◆ Winchester Regional Airport Authority
- ◆ Handley Regional Library Board

The City maintains budgetary control as part of its fiscal management techniques. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget approved by the City's governing body. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level. Only the Common Council can revise the appropriation for each department. The City Manager is authorized to transfer appropriations within general government departments, and the School Board is authorized to transfer budgeted amounts within the school system's categories. As demonstrated by the statements and schedules included in the financial section of this report, the City meets its responsibility for sound financial management.

Local Economy

The City is the region's commercial, industrial, and medical center serving a 60-mile radius. Because of the City's position as a regional economic center and its extensive highway system, the City's work force is drawn from a substantially broader area. Employers in the area offer a wide variety of private sector jobs ranging from agriculture, forestry, and manufacturing, to retail, professional, educational, and medical services.

The City's largest employer is the Valley Health Systems, which owns and operates the Winchester Medical Center and other related services such as urgent care clinics, home health services, a childcare facility, and transport services. The Winchester Medical Center is a non-profit, regional referral hospital, serving the tri-state region surrounding the City. The 405-bed facility offers a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services.

Located within the City of Winchester is Shenandoah University, a United Methodist Church-affiliated institution, which was founded in 1875 in Dayton, Virginia, and moved to Winchester in 1960. Today, Shenandoah University has an enrollment of approximately 3,000 students. These students participate in more than 80 programs of study at the undergraduate, graduate, doctorate and professional levels in six schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, and School of Continuing Education.

The City of Winchester, the Winchester Public Schools, and Shenandoah University jointly operate Winchester Community Television on cable television channel 29. The purpose of this channel is to inform and educate the public about such information as the City's programs and services, Council actions, and scheduled meetings. The channel began operations in February 1996 and is supported through contributions from the participating organizations. The City also maintains a web page at www.winchesterva.gov, which provides an additional means of communicating with the public about the City's programs and services. The Winchester Public Schools maintains a web page at www.wps.k12.va.us, which provides information about the programs and services of the school system.

The Winchester Regional Airport, an all-weather general aviation airport, serves the area. The airport is operational twelve hours a day with on-call and U.S. Custom service available twenty-four hours a day. It is the official airport of the Virginia Inland Port Authority, which is fifteen miles south of Winchester. The City participates with other user localities in a joint venture to operate the airport, and contributes a share of the local funding needed for the operations and capital requirements of the airport.

The City's commercial tax base accounts for 36.8% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with an additional 85 specialty stores. Plazas such as Apple Blossom Corners, Winchester Crossing, and Winchester Station house Martin's, Staples, Kohl's, Office Max, Books-A-Million, Circuit City, Michael's, Old Navy, and Border's. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Big K-Mart, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of

specialty shops and restaurants. There are also several anchorless strip centers and one life style center that houses Ann Taylor, Jos A Banks Clothier, and other high end retail stores. The City also is home to several national chain restaurants. In addition, the City has several class A office buildings serving the professional services sector and business service entities.

The City's Economic Redevelopment Department and other regional economic organizations collaborate to facilitate economic growth in the City and the surrounding areas. The current efforts of the Economic Redevelopment Department include the development of a new 30 acre commercial park off Valley Avenue, and the stimulation of continued retail development activities. The City has also been successful in obtaining grant funding for Redevelopment activities. The City is participating with the US Department of Housing and Urban Development through the Community Development Block Grant Entitlement Program which provides ongoing annual funding. The major focus of the Community Development Block Grant Entitlement Funds is to encourage and support expanded homeownership opportunities and the rehabilitation of single-family homes within the City of Winchester.

In addition, the City's Old Town Development Board continues to successfully market the City's downtown. New businesses continue to locate downtown, while existing businesses thrive. The Old Town Development Board administers the Main Street Program, which concentrates on downtown revitalization- putting the traditional assets of downtown, such as unique architecture and locally-owned businesses, to work as a catalyst for economic growth and community pride. The efforts of the Winchester Old Town Development Board have earned it recognition for excellence in the field of downtown revitalization by meeting high standards of performance set by the Virginia Main Street Program and the National Trust for Historic Preservations National Main Street Center.

Long-term Financial Planning

Unreserved, undesignated fund balance in the general fund (28% of General Fund expenditures) falls within the policy guidelines set by Council for planning purposes. Twenty percent is the target for the City's General Fund balance.

As part of our strategic plan, the City has implemented a 20 year financial planning model to help project revenue and expenditures through the year 2027. Factored into the financial planning model are the future major capital projects. In FY 2007 the City will be issuing \$23,660,000 million in bonds for the Daniel Morgan Middle School renovations; the John Handley High School renovations and water plant upgrades. Renovations to Daniel Morgan Middle School will be complete in FY 2007. John Handley High School and John Kerr Elementary School projects will continue through FY 2010. The total bond issue for the schools projects through 2012 may be approximately \$16 million. Operational costs for the newly renovated facilities will increase as the renovations are completed at a total approximate cost of \$1,000,000. The school renovations should take us well into the future to provide a quality education to all students in the City.

Relevant Financial Policies

In December 2003, along with the fund balance policy, City Council adopted a debt obligation policy, which states that net debt as a percentage of assessed value will not exceed 4%. General obligation debt service and capital lease payments as a percentage of general governmental expenditures will not exceed 15%.

The City's investment policy is designed to allow the City to obtain the highest possible yield on available City financial assets, consistent with constraints imposed by its safety objectives, cash flow considerations, and Virginia State laws that restrict the placement of public funds. Accordingly, deposits were either insured by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Major Initiatives

The City of Winchester is planning to upgrade specific treatment equipment at the Percy D. Miller water treatment plant. The upgrades will include the following:

- Sedimentation basin sludge removal equipment
- New electrical generator that will power the entire water treatment facility
- Conversion of the chlorine disinfectant equipment from gaseous to liquid chlorine

The sedimentation basin equipment is approximately 50 years old and has not been upgraded since its original construction. The equipment is in need of replacement. The plant, with a capacity of 10 millions gallons per day, has the capability of partial emergency generation of about 3.5 million gallons per day. A new generator will be able to give total emergency capacity to the plant. The gaseous chlorine system, used for disinfection, would be replaced by the much safer sodium-hypochlorite (liquid chlorine). The total project cost for these upgrades is estimated to be \$6 million and will be funded through General Obligation bonds.

There are several transportation related projects throughout the City planned through fiscal year 2009. With the expansion and improvements of Hope Drive, Piccadilly Street and Valley Avenue, the City expects to issue approximately \$5,000,000 with a combination of GO Bonds and IDA issued bonds to finance these projects. The City will be working with developers and the Commonwealth of Virginia to offset the costs of the projects.

Awards and Acknowledgment

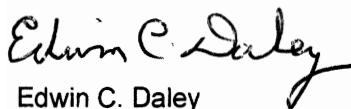
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Winchester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the fourteenth year that the City of Winchester has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the dedicated and effective efforts of City and Schools Finance staff, and staff in other departments throughout the City who assisted in gathering the information for this report. Many hours of hard work are represented herein, and we extend our sincere appreciation to each member of our staff who contributed to the final report.

Finally, grateful appreciation is extended to the City Council for their leadership and support throughout the year.

Respectfully submitted,



Edwin C. Daley
City Manager



Mary M. Blowe
Finance Director



Celeste R. Broadstreet
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Winchester,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Common Council
City of Winchester, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Schedule of Funding Progress for Defined Benefit Pension Plan on pages 3 through 11 and 48, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City's.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Didavick & Knapp, P.C.

September 15, 2006



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**City of Winchester, Virginia
Managements Discussion and Analysis
Fiscal Year Ended June 30, 2006**

This section of the City of Winchester's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2006. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

Financial Highlights

- The assets of the City of Winchester, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2006 by \$27 million (net assets).
- The City's total net assets decreased approximately \$21.5 million over the course of this year's operations. Net assets of governmental activities decreased \$20.1 million and net assets of business-type activities decreased \$1.4 million. The decrease in net assets by the governmental activities is the result of school construction bonds issued by the City for the School Board. This debt is reflected as a liability for the City; however, the corresponding assets are recorded with the Component Unit – School Board.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33.7 million, an increase of \$11.9 million in comparison with the prior year. Approximately 99% of this amount, \$33.3 million, is available for spending at the government's discretion (undesignated fund balance).
- As of the close of the current fiscal year, the unreserved fund balance of the City's general fund was \$25.1 million, an increase of \$6.1 million in comparison with the prior year. This amount represents 28% of total general fund expenditures.
- The City's total debt increased by \$41.4 million, or 35%, during the current fiscal year due to the issuance of \$45 million in new debt issued primarily for school construction projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government; judicial administration; public safety; public works; health and welfare; and recreation and cultural. The business-type activities of the City include water and sewer and bus operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate school district and a legally separate parking authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered a major fund. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts a biennial appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and for its bus service. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee benefits program, insurance programs, and equipment maintenance operation. Because these three functions predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund (a major fund) and the Bus Service Fund (a nonmajor fund). Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has four fiduciary funds: the Northern Shenandoah Valley CSA Trust Fund, Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and Northwestern Regional Juvenile Detention Center Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 48 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by \$27.0 million at the close of fiscal year 2006.

The City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
City of Winchester's Net Assets
Fiscal Year Ended June 30, 2006
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2006	2005	2006	2005	2006	2005	2006	2005
Assets								
Current and other assets	\$ 41.8	\$ 30.2	\$ 12.3	\$ 10.8	\$ 54.1	\$ 41.0	\$ 23.9	\$ 20.4
Capital assets	47.8	43.7	52.4	50.3	100.2	94.0	70.7	42.7
Total Assets	89.6	73.9	64.7	61.1	154.3	135.0	94.6	63.1
Liabilities								
Current and other liabilities	10.0	9.9	3.0	3.0	13.0	12.9	12.6	14.9
Long-term liabilities	88.8	53.1	25.5	20.5	114.3	73.6	0.5	0.6
Total Liabilities	98.8	63.0	28.5	23.5	127.3	86.5	13.1	15.5
Net Assets								
Invested in capital assets, net of related debt	31.9	27.5	32.3	30.1	64.2	57.6	70.7	42.7
Unrestricted net assets	(41.1)	(16.6)	3.9	7.5	(37.2)	(9.1)	10.8	4.9
Total Net Assets-as adjusted (Note 19)	\$ (9.2)	\$ 10.9	\$ 36.2	\$ 37.6	\$ 27.0	\$ 48.5	\$ 81.5	\$ 47.6

Governmental activities. As shown in Table 2, net assets for governmental activities decreased from \$10.9 million at the end of FY2005 to \$(9.2) million at the end of FY2006. The major reason for the decrease is due to the fact that the City borrowed and expensed \$33.2 million in FY2006 for school construction projects. The City, as required by GASB 34, reports its liability for the repayment of the debt associated with the construction of school facilities under the governmental activities category. The City, not the School Board, is obligated for the debt. The related capital assets are presented under the Component Unit – School Board.

If the debt related to the construction of schools was not presented in governmental activities, the net assets for the governmental activities would be \$60.3 million and the total net assets for the primary government would be \$96.5 million.

Table 2
Changes in the City of Winchester's Net Assets
Fiscal Year ended June 30, 2006
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues								
Program Revenues								
Charges for services	\$ 2.9	\$ 2.8	\$ 13.6	\$ 14.7	\$ 16.5	\$ 17.5	\$ 0.9	\$ 0.9
Operating grants and contributions	9.3	8.3	0.5	0.4	9.8	8.7	16.5	15.6
Capital grants and contributions	0.5	1.3	0.4	2.5	0.9	3.8	33.7	19.8
General Revenues								
Property taxes	25.5	20.7	-	-	25.5	20.7	-	-
Sales taxes	10.9	10.3	-	-	10.9	10.3	-	-
Other taxes	18.3	17.0	-	-	18.3	17.0	-	-
Grants and contributions not restricted to specific programs	3.9	3.8	-	-	3.9	3.8	-	-
Unrestricted investment earnings	0.9	0.2	0.4	0.2	1.3	0.4	1.0	0.4
Other	1.2	0.3	-	0.5	1.2	0.8	23.8	22.2
Total revenues	\$ 73.4	\$ 64.7	\$ 14.9	\$ 18.3	\$ 88.3	\$ 83.0	\$ 75.9	\$ 58.9
Expenses								
General government administration	4.1	3.7	-	-	4.1	3.7	-	-
Judicial administration	2.1	1.3	-	-	2.1	1.3	-	-
Public safety	14.5	12.4	-	-	14.5	12.4	-	-
Public works	5.3	5.2	-	-	5.3	5.2	-	-
Health and welfare	6.9	6.7	-	-	6.9	6.7	-	-
Education	56.8	41.4	-	-	56.8	41.4	42.0	39.7
Parks, recreation and culture	2.2	2.3	-	-	2.2	2.3	-	-
Community development	1.9	2.5	-	-	1.9	2.5	-	-
Interest on long-term debt	3.4	2.1	-	-	3.4	2.1	-	-
Water and sewer	-	-	11.7	10.8	11.7	10.8	-	-
Bus service	-	-	0.9	0.6	0.9	0.6	-	-
Total expenses	97.2	77.6	12.6	11.4	109.8	89.0	42.0	39.7
Increase (decrease) in net assets before transfers	(23.8)	(12.9)	2.3	6.9	(21.5)	(6.0)	33.9	19.2
Transfers	3.7	1.8	(3.7)	(1.8)	-	-	-	-
Increase (decrease) in net assets	(20.1)	(11.1)	(1.4)	5.1	(21.5)	(6.0)	33.9	19.2
Net Assets - July 1, 2005 as adjusted (Note 19)	10.9	22.0	37.6	32.5	48.5	54.5	47.6	28.4
Net Assets - June 30, 2006	\$ (9.2)	\$ 10.9	\$ 36.2	\$ 37.6	\$ 27.0	\$ 48.5	\$ 81.5	\$ 47.6

As shown in Table 2, the City's revenues from governmental activities totaled \$73.4 million for FY2006, an increase of \$8.7 million from FY2005. As shown in Figure A, the City received 74.5% of its revenue from taxes. The major source of revenue for the City was property taxes (\$25.5 million or 35%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY2006 increased by approximately 4%. This resulted in a \$2.8 million increase in real estate taxes over the prior year. The City will use this increase in revenue to offset the upcoming increase in debt service payments due to the school construction projects started in FY2004.

The City's expenses from governmental activities totaled \$97.2 million for the fiscal year ended June 30, 2006. As shown in Figure B, education was the largest expense at \$56.8 million or 58%, an increase of \$15.4 million from FY2005. This large increase in education expense represents the City's transfer of bond proceeds to the School Board to fund school construction. Public safety was the second largest expense at \$14.5 million or 15%. Table 2 shows the City's revenue and expenses of the governmental and business-type activities.

Figure A
Revenues by Source – Governmental Activities

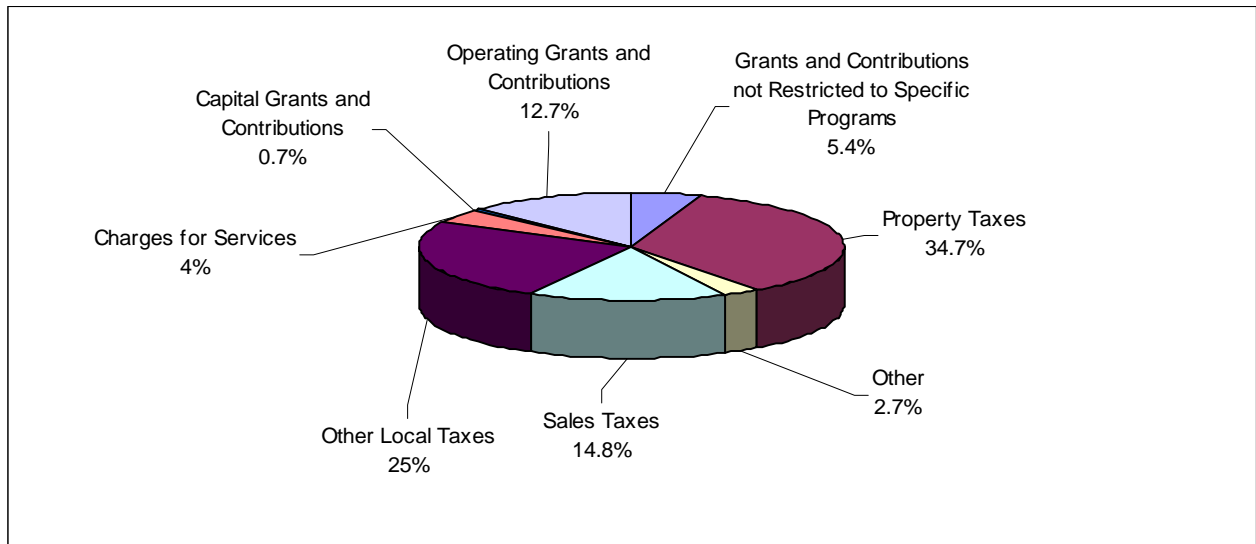
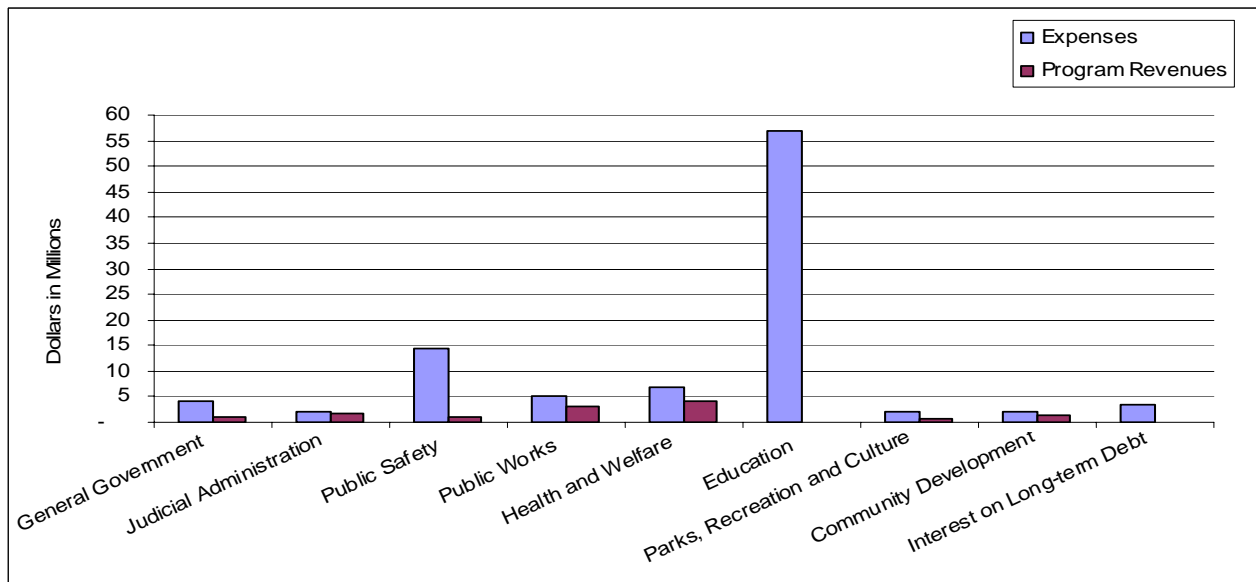


Figure B
Expenses and Program Revenues – Governmental Activities



Business-type activities. The City's business-type activities include the water and sewer fund and the bus service fund. The net assets of these business-type activities totaled \$36.2 million (Table 2) a decrease of \$1.4 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility and transit fees, which totaled \$13.6 million or 91.3% of the total revenues for business-type activities. Capital grants and contributions decreased from 14% (\$2.5 million) at the end of fiscal year 2005 to 2.7% (\$0.4 million) at the close of fiscal year 2006. This decrease can be attributed to the decrease of contributed capital in the form of water & sewer infrastructure to the City. Expenses of the business-type activities totaled \$12.6 million (Table 2) an increase of \$1.2 million from the prior year.

Figure C
Revenues by Source – Business-type Activities

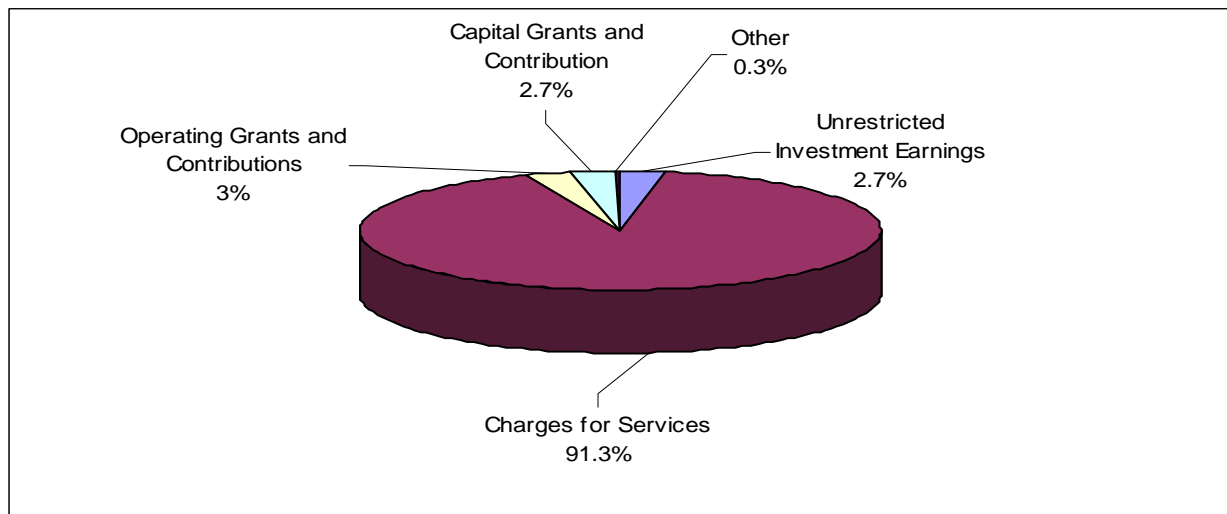
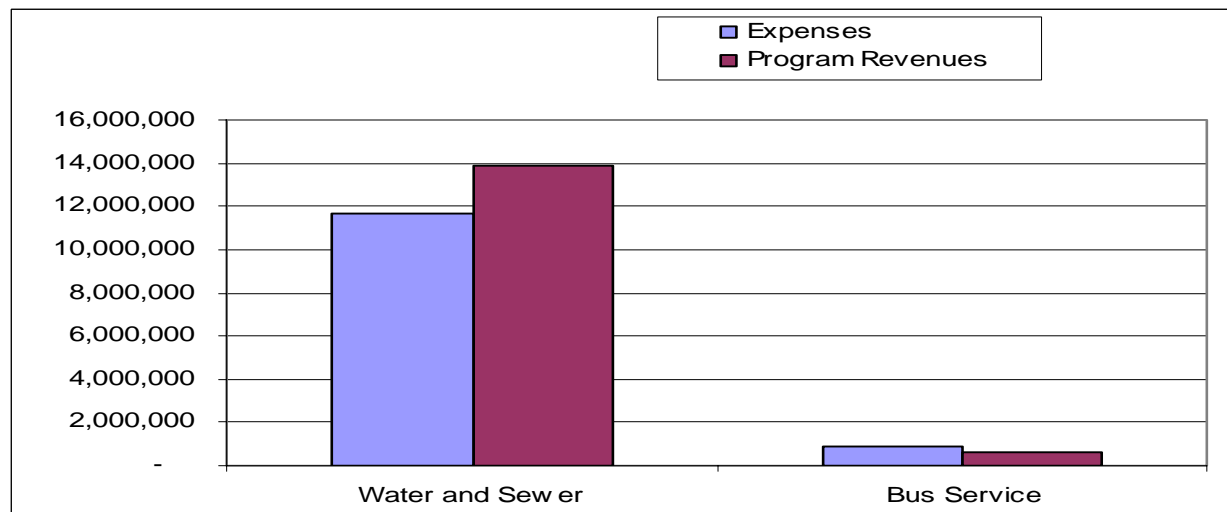


Figure D
Expenses and Program Revenues – Business-type Activities



Financial Analysis of the City's Funds

The City of Winchester uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the fiscal year ended June 30, 2006, the City's governmental funds reported combined fund balances of \$33.7 million, an increase of \$11.9 million in comparison with the prior year. Approximately \$33.3 million of the combined total fund balances constitutes unreserved fund balance, which is generally available for spending at the City's discretion.

The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2006, the unreserved, undesignated fund balance of the general fund was \$24.8 million, while total fund balance reached \$25.1 million. Unreserved, undesignated fund balance represents 28% of total general fund expenditures, as a measure of the general fund's liquidity.

The fund balance of the City's general fund increased by \$6.1 million during the current fiscal year, due to the additional general property tax revenues generated from the 4% increase in real property assessment values within the City and a \$1.00 increase in the motor vehicle tax rate. Another factor was the increase in other local taxes, such as personal property, meals tax, business, professional and occupational licenses, and recordation taxes, due to the strong local economy.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's water and sewer fund for the fiscal year ended June 30, 2006, amounted to \$3.8 million, a decrease of \$3.5 million from the prior year. The decrease in the water and sewer can be mainly attributed to the issuance of general obligation bonds for construction projects. Unrestricted net assets of the City's bus service fund amounted to \$0.1 million, a slight decrease from the prior year. The total decrease in unrestricted net assets for both funds was \$3.5 million.

General Fund Budgetary Highlights

City Council revised the City budget four times over the course of the year. The difference between the original budget and the final amended budget for the general fund was an increase of \$35.8 million, including the following:

- \$33.2 million supplemental appropriation for the transfer of bond proceeds to the School Board for the renovations and expansion of school facilities.
- \$0.6 million supplemental appropriation for the debt service payments.
- \$0.5 million supplemental appropriation to the Northwestern Regional Jail Authority for capital improvements.

Actual revenues exceeded final budget amounts by \$4.8 million, while actual expenditures were \$1.6 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Actual general property tax revenues exceeded estimated revenues by \$1.5 million, due to an average 21% increase in real estate assessments. This revenue will allow the City to grow our fund balance while still maintaining a reasonable tax rate during this time when the City is embarking on many new capital projects.
- Other local taxes also exceeded estimated revenues by \$1.3 million, due to a combination of increases in meals taxes; business, professional and occupational licenses taxes; and recordation taxes. These increases are the direct result of brisk economic growth in retail, commercial and the housing market, which has remained strong and continues to grow.
- Intergovernmental revenue exceeded estimated revenues by \$1.0 million, due to an increase in State personal property tax relief and debt service reimbursement from the State on a road construction project.

- Revenues from use of money and property exceeded estimated revenues by \$0.5 million, due to the increase in interest earnings on investments.
- Actual combined public works, parks, recreation and cultural, and community development expenditures were \$0.6 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Actual correction and detention expenditures were \$0.4 million less than budgeted amounts due to the delay in start of debt service payments on the expansion of the Northwestern Regional Jail.
- Actual health and welfare expenditures were \$0.3 million less than budgeted amounts resulting from less than anticipated tax relief for the elderly expenditures.

Capital Assets and Debt Administration

Capital assets. The City of Winchester's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$100.3 million net of depreciation, which represents an increase of \$6.4 million, or 6% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 7 to the financial statements.

Major capital asset events during the fiscal year included the following:

- Work continues on the Town Run sewer and storm water system improvements and burial of overhead utilities; construction in progress as of the end of the current fiscal year had reached \$10.4 million.
- Developer conveyance of sewer lines and manholes totaled \$0.3 million.

Table 3 summarizes the City's capital assets as of June 30, 2005 and 2006.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year Ended June 30, 2006

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,057,819	\$ 2,958,719	\$ 1,451,070	\$ 1,451,070	\$ 4,508,889	\$ 4,409,789
Construction in progress	5,879,978	2,988,839	7,744,239	4,292,608	13,624,217	7,281,447
Buildings	12,570,356	13,012,125	1,126,132	1,188,075	13,696,488	14,200,200
Improvements other than buildings	2,732,643	2,575,894	7,716	8,171	2,740,359	2,584,065
Infrastructure	20,108,099	19,620,854	41,099,970	42,275,581	61,208,069	61,896,435
Machinery & Equipment	3,500,742	2,527,220	1,025,491	1,043,318	4,526,233	3,570,538
Total capital assets	\$ 47,849,637	\$ 43,683,651	\$ 52,454,618	\$ 50,258,823	\$ 100,304,255	\$ 93,942,474

Long-term debt. As shown in Table 4, the City of Winchester had total bonded debt and capital leases outstanding of \$118.6 million, for the fiscal year ended June 30, 2006, an increase of \$41.4 million from the fiscal year ended June 30, 2005. This entire amount is backed by the full faith and credit of the City, with \$26.5 million of the total being repaid by the City's business-type activities.

Table 4
City of Winchester's Outstanding Debt
Fiscal Year Ended June 30, 2006

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 91,324,793	\$ 54,971,522	\$ 26,450,106	\$ 21,291,086	\$ 117,774,899	\$ 76,262,608
Capital Lease Agreements	800,463	945,288	-	-	800,463	945,288
Total outstanding debt	\$ 92,125,256	\$ 55,916,810	\$ 26,450,106	\$ 21,291,086	\$ 118,575,362	\$ 77,207,896

For the fiscal year ended June 30, 2006, the City retired \$5.4 million of outstanding principal and issued \$46.7 million of new long-term debt. More detailed information regarding the City's long-term debt can be found in Note 10 to the financial statements.

The City issued \$45.0 million general obligation public improvement bonds to finance school design, school construction, road construction, facility construction, and utility improvements.

The City's General Obligation Bonds in prior bond issues have been rated AA by Standard & Poor's Corporation, and Aa3 by Moody's Investors Service. The legal debt margin of the City is 10% of the total assessed valuation of the real estate within the City, which is subject to local taxation. The limitation complies with Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.1-176 of the Code of Virginia, 1950, which defines the limitation on outstanding indebtedness that may be incurred by cities. Based on 10% of the assessed value of real property, the City's legal debt limit is \$254.9 million. As of June 30, 2006, the City's total debt applicable to the limitation totaled \$116.8 million, leaving a legal debt margin of \$138.1 million.

Economic Factors and Next Year's Budgets and Rates

- City staff will be looking into ways to redevelop existing structures and eliminate blight throughout the City in an effort to create affordable housing for all.
- Economic development continues to be an ongoing effort within the City. We are currently expanding and improving our infrastructure to support more business and industry along Valley Avenue (U.S. route 11), a major commercial, retail and industrial corridor.
- The real estate tax rate may be adjusted based on an increase (or decrease) in assessments. The next real estate reassessments will be effective January 1, 2007. New housing throughout the City may contribute to increased real estate revenue.
- For the month of June 2006, the City's unemployment rate was 3.00%, compared to the State's 3.3% and Federal rate of 4.8%.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Winchester, 15 N. Cameron Street, Winchester, VA 22601.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2006

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash	\$ 7,328,079	\$ 983,063	\$ 8,311,142	\$ 2,027,688	\$ 225,348
Investments	21,586,257	8,347,226	29,933,483	20,483,859	467,339
Receivables (net of allowance for uncollectibles):					
Taxes, including penalties	1,941,308	-	1,941,308	-	-
Accounts	2,003,745	2,441,271	4,445,016	114,885	-
Interest	35,899	5,162	41,061	10,646	1,182
Due from other governments	3,145,275	392,959	3,538,234	1,244,947	-
Due from component unit	4,757,798	-	4,757,798	-	-
Internal balances	248,742	(248,742)	-	-	-
Inventories	88,647	202,252	290,899	30,137	-
Prepays	15,232	-	15,232	-	-
Deferred charges	639,482	161,585	801,067	-	-
Capital assets not being depreciated:					
Land	3,057,819	1,451,070	4,508,889	2,307,970	11,685
Construction in progress	5,879,978	7,744,239	13,624,217	52,306,211	-
Capital assets, net of accumulated depreciation:					
Buildings and system	12,570,356	1,126,132	13,696,488	13,822,903	1,021,906
Improvements other than buildings	2,732,643	7,716	2,740,359	242,743	2,971
Machinery and equipment	3,500,742	1,025,491	4,526,233	2,033,640	47,193
Infrastructure	20,108,099	41,099,970	61,208,069	-	-
Total assets	<u>89,640,101</u>	<u>64,739,394</u>	<u>154,379,495</u>	<u>94,625,629</u>	<u>1,777,624</u>
LIABILITIES					
Accounts payable and other current liabilities	3,510,244	1,516,196	5,026,440	7,774,838	12,117
Accrued interest payable	1,070,017	316,946	1,386,963	-	-
Due to primary government	-	-	-	4,757,798	-
Unearned revenue	618,741	-	618,741	-	-
Noncurrent liabilities:					
Due within one year	4,848,622	1,188,027	6,036,649	30,000	-
Due in more than one year	88,776,737	25,500,909	114,277,646	533,553	42,652
Total liabilities	<u>98,824,361</u>	<u>28,522,078</u>	<u>127,346,439</u>	<u>13,096,189</u>	<u>54,769</u>
NET ASSETS					
Invested in capital assets, net of related debt	31,894,578	32,310,319	64,204,897	70,713,467	1,083,755
Restricted for bus shelter	-	2,000	2,000	-	-
Unrestricted	(41,078,838)	3,904,997	(37,173,841)	10,815,973	639,100
Total net assets	<u>\$ (9,184,260)</u>	<u>\$ 36,217,316</u>	<u>\$ 27,033,056</u>	<u>\$ 81,529,440</u>	<u>\$ 1,722,855</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				School Board	Winchester Parking Authority	
					Governmental Activities	Business-type Activities	Total				
Primary government:											
Governmental activities:											
General government	\$ 4,101,357	\$ 672,473	\$ 268,208	\$ -	\$ (3,160,676)		\$ (3,160,676)				
Judicial administration	2,061,174	383,212	1,279,316	-	(398,646)		(398,646)				
Public safety	14,541,554	127,567	764,432	-	(13,649,555)		(13,649,555)				
Public works	5,296,991	480,784	2,672,240	-	(2,143,967)		(2,143,967)				
Health and welfare	6,880,841	71,388	4,076,443	-	(2,733,010)		(2,733,010)				
Education	56,829,849	-	-	-	(56,829,849)		(56,829,849)				
Parks, recreation and culture	2,187,433	591,651	6,500	99,100	(1,490,182)		(1,490,182)				
Community development	1,906,853	616,498	234,955	385,719	(669,681)		(669,681)				
Interest on long-term debt	3,388,365	-	-	-	(3,388,365)		(3,388,365)				
Total governmental activities	97,194,417	2,943,573	9,302,094	484,819	(84,463,931)		(84,463,931)				
Business-type activities:											
Water and sewer	11,660,732	13,511,213	-	323,751	-	\$ 2,174,232	2,174,232				
Bus service	921,626	84,029	449,306	77,909	-	(310,382)	(310,382)				
Total business-type activities	12,582,358	13,595,242	449,306	401,660	-	1,863,850	1,863,850				
Total primary government	\$ 109,776,775	\$ 16,538,815	\$ 9,751,400	\$ 886,479	(84,463,931)	1,863,850	(82,600,081)				
Component units:											
School board	42,043,989	949,126	16,524,727	33,689,828				\$ 9,119,692	\$ -	-	
Parking authority	569,658	637,549	-	-				-	67,891	-	
Total component unit	\$ 42,613,647	\$ 1,586,675	\$ 16,524,727	\$ 33,689,828				9,119,692	67,891	-	
General revenues:											
Taxes:											
Property taxes					25,468,425	-	25,468,425	-	-	-	
Sales taxes					10,894,693	-	10,894,693	-	-	-	
Utility taxes					3,433,690	-	3,433,690	-	-	-	
Business license taxes					5,983,072	-	5,983,072	-	-	-	
Franchise taxes					543,864	-	543,864	-	-	-	
Hotel and meals taxes					5,598,277	-	5,598,277	-	-	-	
E-911 taxes					579,235	-	579,235	-	-	-	
Other local taxes					2,182,526	-	2,182,526	-	-	12,500	
Miscellaneous					459,032	37,456	496,488	281,299	326	-	
Payment from City of Winchester:											
Education - unrestricted					-	-	-	23,481,698	-	-	
Grants and contributions not restricted to specific programs					3,959,529	-	3,959,529	-	-	-	
Unrestricted investment earnings					875,864	400,403	1,276,267	998,705	19,056	-	
Gain on disposal of capital assets					734,856	-	734,856	-	-	-	
Transfers					3,677,307	(3,677,307)	-	-	-	-	
Total revenues and transfers					64,390,370	(3,239,448)	61,150,922	24,761,702	31,882	-	
Change in net assets					(20,073,561)	(1,375,598)	(21,449,159)	33,881,394	99,773	-	
Net assets - beginning - as adjusted (Note 19)					10,889,301	37,592,914	48,482,215	47,648,046	1,623,082	-	
Net assets - ending					\$ (9,184,260)	\$ 36,217,316	\$ 27,033,056	\$ 81,529,440	\$ 1,722,855	-	

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

Exhibit 3

	General	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 5,470,775	\$ 228,140	\$ 570,627	\$ 6,269,542
Investments	11,193,574	7,862,977	1,185,162	20,241,713
Receivables (Net of allowances for uncollectibles):				
Taxes, including penalties	1,941,308	-	-	1,941,308
Accounts	1,889,730	-	110,691	2,000,421
Interest	28,306	1,198	2,995	32,499
Due from other funds	812,467	-	-	812,467
Due from component unit	4,757,798	-	-	4,757,798
Due from other governments	2,151,963	-	993,312	3,145,275
Prepaid items	120,477	-	-	120,477
Total assets	\$ 28,366,398	\$ 8,092,315	\$ 2,862,787	\$ 39,321,500
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	348,737	1,102,753	289,931	1,741,421
Deposits payable	369,841	-	-	369,841
Accrued payroll	327,677	-	82,250	409,927
Retainage payable	1,538	142,367	-	143,905
Due to other funds	-	-	578,129	578,129
Amounts held for others	36,865	-	-	36,865
Deferred revenues	2,206,016	-	100,576	2,306,592
Total liabilities	3,290,674	1,245,120	1,050,886	5,586,680
Fund balances:				
Unreserved, designated for, reported in:				
Public safety	291,554	-	-	291,554
Public works	-	75,000	-	75,000
Special revenue funds	-	-	89,081	89,081
Unreserved, undesignated reported in:				
General fund	24,784,170	-	-	24,784,170
Special revenue funds	-	-	1,379,873	1,379,873
Debt service funds	-	-	342,947	342,947
Capital projects funds	-	6,772,195	-	6,772,195
Total fund balances	25,075,724	6,847,195	1,811,901	33,734,820
Total liabilities and fund balances	\$ 28,366,398	\$ 8,092,315	\$ 2,862,787	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,849,637
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,687,851
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,672,723
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(94,129,291)
Net assets of governmental activities	\$ (9,184,260)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

Exhibit 4

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 25,041,195	\$ -	\$ -	\$ 25,041,195
Other local taxes	28,636,122	-	579,235	29,215,357
Permits, privilege fees and regulatory licenses	619,646	-	-	619,646
Fines and forfeitures	221,123	-	-	221,123
Revenues from use of money and property	646,542	199,133	51,631	897,306
Charges for services	812,234	-	30,975	843,209
Miscellaneous	186,243	-	250,478	436,721
Recovered costs	696,160	75,000	5,507	776,667
Intergovernmental:				
Commonwealth	6,009,158	97,804	4,329,015	10,435,977
Federal	135,584	-	3,075,099	3,210,683
Total revenues	<u>63,004,007</u>	<u>371,937</u>	<u>8,321,940</u>	<u>71,697,884</u>
EXPENDITURES				
Current:				
General government administration	3,445,735	-	-	3,445,735
Judicial administration	1,759,811	-	169,620	1,929,431
Public safety	13,442,051	13,500	1,396,357	14,851,908
Public works	2,531,450	2,572,833	1,889,891	6,994,174
Health and welfare	752,172	-	6,100,617	6,852,789
Education	56,829,849	-	-	56,829,849
Parks, recreation and culture	2,526,812	175,722	-	2,702,534
Community development	1,167,639	39,785	714,913	1,922,337
Capital projects	-	1,004,599	-	1,004,599
Debt service:				
Principal retirement	4,114,516	-	176,316	4,290,832
Interest and fiscal charges	2,970,486	-	78,023	3,048,509
Bond issuance costs	209,528	50,640	-	260,168
Total expenditures	<u>89,750,049</u>	<u>3,857,079</u>	<u>10,525,737</u>	<u>104,132,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,746,042)</u>	<u>(3,485,142)</u>	<u>(2,203,797)</u>	<u>(32,434,981)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	752,455	-	-	752,455
Insurance recoveries - capital asset impairment	59,303	-	-	59,303
Bonds issued	31,500,000	7,500,000	-	39,000,000
Premium on debt	1,014,619	215,428	-	1,230,047
Capital lease	282,000	-	-	282,000
Transfers in	2,058,852	2,512,510	2,277,284	6,848,646
Transfers out	(2,827,591)	(846,352)	(126,832)	(3,800,775)
Total other financing sources and uses	<u>32,839,638</u>	<u>9,381,586</u>	<u>2,150,452</u>	<u>44,371,676</u>
Net change in fund balances	6,093,596	5,896,444	(53,345)	11,936,695
Fund balance - beginning, as adjusted (Note 19)	<u>18,982,128</u>	<u>950,751</u>	<u>1,865,246</u>	<u>21,798,125</u>
Fund balance - ending	<u>\$ 25,075,724</u>	<u>\$ 6,847,195</u>	<u>\$ 1,811,901</u>	<u>\$ 33,734,820</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WINCHESTER, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 11,936,695
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (5,169,003) exceeded depreciation (1,650,479) in the current period.	3,518,524
In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the <i>cost</i> of the property sold.	(76,902)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	728,536
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	427,230
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(35,961,047)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(433,287)
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(213,310)
Change in net assets of governmental activities	<u>\$ (20,073,561)</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2006

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 23,519,000	\$ 23,519,000	\$ 25,041,195	\$ 1,522,195
Other local taxes	26,700,000	27,290,000	28,636,122	1,346,122
Permits, privilege fees and regulatory licenses	410,500	430,500	619,646	189,146
Fines and forfeitures	200,000	200,000	221,123	21,123
Revenues from use of money and property	148,500	148,500	646,542	498,042
Charges for services	725,000	725,000	812,234	87,234
Miscellaneous	78,000	135,300	186,243	50,943
Recovered costs	800,000	800,000	696,160	(103,840)
Intergovernmental:				
Commonwealth	4,944,000	5,005,360	6,009,158	1,003,798
Federal	-	2,445	135,584	133,139
Total revenues	<u>57,525,000</u>	<u>58,256,105</u>	<u>63,004,007</u>	<u>4,747,902</u>
EXPENDITURES				
Current:				
General Government Administration:				
Legislative	118,000	118,000	96,899	21,101
General and Financial Administration	3,738,000	3,232,800	3,228,693	4,107
Board of Elections	121,000	121,000	120,143	857
Total General Government Administration	<u>3,977,000</u>	<u>3,471,800</u>	<u>3,445,735</u>	<u>26,065</u>
Judicial Administration:				
Courts	1,073,000	1,142,000	1,140,524	1,476
Commonwealth Attorney	582,000	619,500	619,287	213
Total Judicial Administration	<u>1,655,000</u>	<u>1,761,500</u>	<u>1,759,811</u>	<u>1,689</u>
Public Safety:				
Law Enforcement and Traffic Control	5,883,000	6,190,750	6,190,324	426
Fire and Rescue Services	3,239,300	3,560,710	3,560,515	195
Correction and Detention	2,626,000	3,042,000	2,639,362	402,638
Inspections	515,000	542,000	541,823	177
Other Protection	515,000	625,195	510,027	115,168
Total Public Safety	<u>12,778,300</u>	<u>13,960,655</u>	<u>13,442,051</u>	<u>518,604</u>
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks	156,000	161,100	68,437	92,663
Sanitation and Waste Removal	1,040,000	1,040,000	1,011,354	28,646
Maintenance of Buildings and Grounds	1,478,000	1,498,500	1,451,659	46,841
Total Public Works	<u>2,674,000</u>	<u>2,699,600</u>	<u>2,531,450</u>	<u>168,150</u>
Health and Welfare:				
Health	230,000	230,000	230,040	(40)
Chapter X Board	130,700	130,700	130,700	-
Welfare/Social Services	712,400	712,400	391,432	320,968
Total Health and Welfare	<u>1,073,100</u>	<u>1,073,100</u>	<u>752,172</u>	<u>320,928</u>
Education:				
Contributions to Community College	197,000	197,000	197,000	-
Contributions to City School Board	23,190,800	56,632,850	56,632,849	1
Total Education	<u>23,387,800</u>	<u>56,829,850</u>	<u>56,829,849</u>	<u>1</u>
Parks, Recreation and Cultural:				
Parks and Recreation	2,101,300	2,106,600	1,884,811	221,789
Cultural Enrichment	71,000	306,000	303,101	2,899
Contribution to Regional Library	338,900	338,900	338,900	-
Total Parks, Recreation, and Cultural	<u>2,511,200</u>	<u>2,751,500</u>	<u>2,526,812</u>	<u>224,688</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Exhibit 6 (cont'd) Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
EXPENDITURES (cont'd)				
Current: (cont'd)				
Community Development:				
Planning and Community Development	\$ 1,094,200	\$ 1,306,467	\$ 1,134,450	\$ 172,017
Environmental Management	36,500	36,500	33,189	3,311
Total Community Development	1,130,700	1,342,967	1,167,639	175,328
Debt Service:				
Principal retirement	4,508,327	4,508,327	4,114,516	393,811
Interest and fiscal charges	2,149,373	2,739,373	2,970,486	(231,113)
Bond issuance costs	-	209,820	209,528	292
Total Debt Service	6,657,700	7,457,520	7,294,530	162,990
Total expenditures	55,844,800	91,348,492	89,750,049	1,598,443
Excess of revenues over expenditures	1,680,200	(33,092,387)	(26,746,042)	6,346,345
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	752,455	752,455
Insurance recoveries - capital asset impairment	2,500	24,550	59,303	34,753
Bonds issued	-	31,500,000	31,500,000	-
Premium on debt	-	1,014,620	1,014,619	(1)
Capital lease	-	282,000	282,000	-
Transfers in	1,212,500	2,058,852	2,058,852	-
Transfers out	(2,895,200)	(3,211,664)	(2,827,591)	384,073
Total other financing sources (uses)	(1,680,200)	31,668,358	32,839,638	1,171,280
Net change in fund balances	-	(1,424,029)	6,093,596	7,517,625
Fund balances - beginning, as adjusted (Note 19)	-	1,424,029	18,982,128	17,558,099
Fund balances - ending	\$ -	\$ -	\$ 25,075,724	\$ 25,075,724

The notes to the financial statements are an integral part of this statement.

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Business-type Activities- Enterprise Funds			Exhibit 7 Governmental Activities-
	Major	Nonmajor		
	Water and Sewer Fund	Bus Service Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash	\$ 982,893	\$ 170	\$ 983,063	\$ 1,058,537
Investments	8,347,226	-	8,347,226	1,344,544
Receivables (net of allowance for uncollectibles):				
Accounts	2,413,423	27,848	2,441,271	3,324
Interest	5,162	-	5,162	3,400
Due from other governments	-	392,959	392,959	-
Inventories	202,252	-	202,252	88,647
Total current assets	<u>11,950,956</u>	<u>420,977</u>	<u>12,371,933</u>	<u>2,498,452</u>
Noncurrent assets:				
Deferred charges	161,585	-	161,585	-
Capital assets:				
Land	1,451,070	-	1,451,070	-
Buildings and systems	2,459,279	643,701	3,102,980	-
Improvements other than buildings	118,837	-	118,837	-
Infrastructure	56,977,330	-	56,977,330	-
Machinery and equipment	1,285,103	999,966	2,285,069	89,967
Construction in progress	7,705,302	38,937	7,744,239	-
Less accumulated depreciation	<u>(18,367,348)</u>	<u>(857,559)</u>	<u>(19,224,907)</u>	<u>(89,967)</u>
Total capital assets (net of accumulated depreciation)	<u>51,629,573</u>	<u>825,045</u>	<u>52,454,618</u>	<u>-</u>
Total noncurrent assets	<u>51,791,158</u>	<u>825,045</u>	<u>52,616,203</u>	<u>-</u>
Total assets	<u>63,742,114</u>	<u>1,246,022</u>	<u>64,988,136</u>	<u>2,498,452</u>
LIABILITIES				
Current liabilities:				
Accounts payable	864,934	37,128	902,062	800,601
Customer deposits payable	265,473	-	265,473	-
Accrued payroll	59,057	11,443	70,500	7,684
Accrued interest payable	316,946	-	316,946	-
Retainage payable	278,161	-	278,161	-
Due to other funds	-	224,849	224,849	9,489
Compensated absences	206,199	32,631	238,830	31,848
General obligation bonds - current	<u>1,133,027</u>	<u>-</u>	<u>1,133,027</u>	<u>-</u>
Total current liabilities	<u>3,123,797</u>	<u>306,051</u>	<u>3,429,848</u>	<u>849,622</u>
Noncurrent liabilities:				
General obligation bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	<u>25,317,079</u>	<u>-</u>	<u>25,317,079</u>	<u>-</u>
Total liabilities	<u>28,440,876</u>	<u>306,051</u>	<u>28,746,927</u>	<u>849,622</u>
NET ASSETS				
Invested in capital assets, net of related debt	31,485,274	825,045	32,310,319	-
Restricted for bus shelter	-	2,000	2,000	-
Unrestricted	<u>3,815,964</u>	<u>112,926</u>	<u>3,928,890</u>	<u>1,648,830</u>
Total net assets	<u>\$ 35,301,238</u>	<u>\$ 939,971</u>	<u>\$ 36,241,209</u>	<u>\$ 1,648,830</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(23,893)</u>	
Net assets of business-type activities			<u>\$ 36,217,316</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

Exhibit 8

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
OPERATING REVENUES				
Revenue from use of property	\$ 3,850	\$ -	\$ 3,850	\$ -
Charges for services	10,918,523	72,994	10,991,517	3,576,784
Miscellaneous	2,111	31,495	33,606	-
Recovered costs	2,592,690	11,035	2,603,725	-
Total operating revenues	13,517,174	115,524	13,632,698	3,576,784
OPERATING EXPENSES				
Personal services	2,845,496	591,869	3,437,365	348,108
Contractual services	4,197,092	44,217	4,241,309	98,278
Other supplies and expenses	2,383,451	185,847	2,569,298	509,462
Insurance claims and expenses	-	-	-	2,880,192
Depreciation	1,016,884	99,693	1,116,577	4,172
Total operating expenses	10,442,923	921,626	11,364,549	3,840,212
Operating income (loss)	3,074,251	(806,102)	2,268,149	(263,428)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental:				
Commonwealth	-	209,065	209,065	682
Federal	-	318,150	318,150	-
Investment earnings	399,756	647	400,403	869
Interest and fiscal charges	(1,169,242)	-	(1,169,242)	-
Total nonoperating revenues (expenses)	(769,486)	527,862	(241,624)	1,551
Income before contributions and transfers	2,304,765	(278,240)	2,026,525	(261,877)
Capital contributions - developer lines	323,751	-	323,751	-
Transfers in	21,100	167,000	188,100	-
Transfers out	(3,865,407)	-	(3,865,407)	-
Change in net assets	(1,215,791)	(111,240)	(1,327,031)	(261,877)
Total net assets - beginning	36,517,029	1,051,211		1,910,707
Total net assets - ending	\$ 35,301,238	\$ 939,971		\$ 1,648,830

Adjustment to reflect the consolidation of internal service fund activities
related to enterprise funds.

(48,567)

Change in net assets of business-type activities

\$ (1,375,598)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

Exhibit 9

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor		
	Water and Sewer Fund	Bus Service Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 10,805,264	\$ 88,569	\$ 10,893,833	\$ 3,286,904
Cash paid to suppliers	(6,569,277)	(194,191)	(6,763,468)	(606,271)
Cash paid to employees	(2,983,623)	(586,168)	(3,569,791)	(363,618)
Premiums paid	-	-	-	(2,839,171)
Other receipts (payments)	2,598,651	-	2,598,651	288,415
Net cash provided (used) by operating activities	3,851,015	(691,790)	3,159,225	(233,741)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subsidy from state grant	-	159,469	159,469	682
Subsidy from federal grant	-	247,433	247,433	-
Transfer from other funds	21,100	283,149	304,249	9,489
Transfer to other funds	(3,865,407)	-	(3,865,407)	-
Net cash provided (used) by noncapital financing activities	(3,844,307)	690,051	(3,154,256)	10,171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	6,193,366	-	6,193,366	-
Capital grants - federal	-	40,000	40,000	-
Acquisition and construction of capital assets	(3,070,196)	(38,937)	(3,109,133)	-
Principal paid on capital debt	(1,088,144)	-	(1,088,144)	-
Interest paid on capital debt	(1,061,929)	-	(1,061,929)	-
Bond issue costs	(39,914)	-	(39,914)	-
Net cash provided (used) by capital and related financing activities	933,183	1,063	934,246	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	410,229	647	410,876	1,118
Net cash provided by investing activities	410,229	647	410,876	1,118
Net increase (decrease) in cash and cash equivalents	1,350,120	(29)	1,350,091	(222,452)
Cash and cash equivalents - beginning of year	7,979,999	199	7,980,198	2,625,533
Cash and cash equivalents - end of year	\$ 9,330,119	\$ 170	\$ 9,330,289	\$ 2,403,081
Cash and cash equivalents at end of year is comprised of the following:				
Cash	982,893	170	983,063	1,058,537
Cash equivalents - Investments	8,347,226	-	8,347,226	1,344,544
Total	\$ 9,330,119	\$ 170	\$ 9,330,289	\$ 2,403,081

cont'd

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

	Business-type Activities- Enterprise Funds			Exhibit 9 (Cont'd) Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 3,074,251	\$ (806,102)	\$ 2,268,149	\$ (263,428)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,016,884	99,693	1,116,577	4,172
(Increase) decrease in accounts receivable	(101,674)	(26,955)	(128,629)	(1,465)
(Increase) decrease in inventories	(12,291)	-	(12,291)	8,051
Increase (decrease) in accounts payable	23,557	35,873	59,430	34,439
Increase (decrease) in accrued payroll	(81,384)	(13,093)	(94,477)	(10,830)
Increase (decrease) in compensated absences	(56,743)	18,794	(37,949)	(4,680)
Increase (decrease) in customer deposits payable	(11,585)	-	(11,585)	-
Total adjustments	<u>776,764</u>	<u>114,312</u>	<u>891,076</u>	<u>29,687</u>
Net cash provided (used) by operating activities	<u>\$ 3,851,015</u>	<u>\$ (691,790)</u>	<u>\$ 3,159,225</u>	<u>\$ (233,741)</u>
Noncash investing, capital and financing activities:				
Capital contributions of water and sewer lines from developers	\$ 323,751	\$ -	\$ 323,751	\$ -

**CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006**

Exhibit 10

	Total Agency Funds
ASSETS	
Cash	\$ 172,396
Investments	15,509,877
Accounts receivable	16,248
Interest receivable	2,313
Due from other governments	5,747
Total assets	<u>\$ 15,706,581</u>
LIABILITIES	
Accounts payable	1,820,325
Accrued payroll	38,847
Retainage payable	207,083
Amounts held for social service clients	20,505
Amounts held for NRJA	13,208,793
Amounts held for NRJDC	411,028
Total liabilities	<u>\$ 15,706,581</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

The City of Winchester, Virginia (the "City") was incorporated in 1752 and organized under the Council-Manager form of government. The City is governed by an elected mayor and thirteen-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units:

The City of Winchester has no blended component units.

Discretely Presented Component Units:

The component unit columns in the financial statements include the financial data of the City's discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the City.

The City of Winchester School Board was created as a separate legal entity by the City to oversee the operations and management of its publicly funded primary and secondary schools. All members of the School Board are appointed by City Council, and the City has the ability to impose its will upon the Board. In addition, because the School Board does not have taxing powers, the School Board is fiscally dependent upon the City to provide significant funding to operate the public schools. The School Board must also obtain the City's approval for debt issuances.

The Winchester Parking Authority was created by the City of Winchester for the purpose of planning and fostering the development of off-street parking facilities. The City appoints all members of the Authority and is able to impose its will on the Authority. The City is financially accountable for the Authority because the City approves the Authority's budget, levies taxes (if necessary) and must approve any debt issuances.

Separate financial statements of these component units are not available.

Joint Ventures and Other Related Organizations:

Joint Ventures

The Frederick-Winchester Service Authority was created by the City and County of Frederick to provide for administration, planning and design of regional wastewater facilities for the participating jurisdictions. The City appoints a majority of the voting members of the Authority but has no equity interest in the venture. The Authority is able to meet its operating and other costs from charges for services.

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility as provided by Chapter 3, Title 5.136 Code of Virginia (1950), as amended. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During fiscal year 2006, the City provided total support of \$27,600.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A. Reporting Entity (cont'd)

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants normally must subsidize operations and capital needs. During fiscal year 2006, the City provided total support of \$266,600.

Separate financial statements for these joint ventures may be obtained at the entity's Administrative offices as follows:

Frederick-Winchester Service Authority
P. O. Box 43
Winchester, VA 22604

Winchester Regional Airport Authority
491 Airport Road
Winchester, VA 22602

Northwestern Juvenile Detention Center Commission
145 Fort Collier Road
Winchester, VA 22603

Other Related Organizations

The Economic Development Authority of the City of Winchester was created by Council resolution to promote industry and trade within the City. A board of seven directors appointed by the City Council governs the Authority; however, the City's accountability does not extend beyond making the appointments.

The Handley Regional Library Board was created by the City and the Counties of Frederick and Clarke to operate a regional library as provided in Chapter 2, Title 42.1-34 and 42.1-137 Code of Virginia (1950), as amended. Although the City appoints a majority of the Board members, its accountability does not extend beyond making the appointments. The participating localities have no equity interest in the library; however, the City provided \$338,900 to the Board for operating support for fiscal year 2006.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency fund financial statements, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The governmental funds use the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than on net income determination as would apply to a commercial enterprise. The City reports the following governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.

Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Social Service Fund, Comprehensive Services Fund, Federal and State Grants Fund, Community Development Block Grant Fund, Small Cities/Housing Fund, Highway Maintenance Fund, Emergency Communication Center Fund, Winchester-Frederick County Convention and Visitors Bureau Fund, Law Library Fund and Asset Forfeiture Fund.

Debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Debt service funds consist of the School Bond Debt Service Fund.

Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital project funds consist of the Capital Improvements Fund. The Capital Improvements Fund is considered a major fund for financial reporting purposes.

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise and Internal Service Funds. The government reports the following proprietary funds:

Enterprise Funds account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Water and Sewer Fund and the Bus Service Fund. The Water and Sewer Fund, which accounts for the operation of the City's water distribution system and sewage collection system, is considered a major fund for financial reporting purposes.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Internal service funds account for employee fringes, equipment inventory, and risk management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Employee Benefits Fund, Equipment Operating Fund and City Insurance Fund.

Fiduciary Funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Fiduciary funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds reported by the City include the Northern Shenandoah CSA Trust Fund, Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and the Northwestern Regional Juvenile Detention Center Fund. These funds account for assets held by the City for social service clients, regional jail construction, and a regional juvenile detention center.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund, Bus Service Fund, and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the operating definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

2. *Receivables and Payables*

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Notes Receivable*

The City participates in a "Private Property Rehabilitation Program" funded under a Community Development Block Grant by the Department of Housing and Urban Development. The majority of the funding represents deferred loans payable at maturity date or on change of home ownership, whichever occurs first. The City maintains a security interest in the property. Interest rates on the loans range from non-interest bearing to eight percent.

4. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the enterprise and internal service funds consist of expendable supplies held for consumption and are accounted for under the consumption method. The cost is recorded as an expense at the time the individual inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. *Property Taxes*

Real Estate and Personal Property Used in Business

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5 and December 5. The City bills and collects its own taxes. The City's real estate and business-related personal property taxes are levied each calendar year on all taxable property located in the City, and are accounted for in the General fund. Therefore, real estate and business-related personal property taxes that are due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Levy Date	January 1
Lien Date	January 1
Due Date	June 5/December 5
Delinquent Date	June 6/December 6

Motor Vehicles

The City employs an innovative system providing for both proration and monthly billing/assessment for personal property taxes on motor vehicles. Property is assessed on the date which a vehicle gains situs in the City, using its value as of the immediately preceding January 1. Taxes attach as a lien on the property as of the date assessed, and are due thirty days after assessment. The City bills and collects its own taxes. These taxes are levied on each vehicle each year in the month in which the property first became taxable in the City. Vehicles already in the City at the adoption of this system were grandfathered in using the same system as for real estate, except that taxes were due in one installment on December 5. Replacement vehicles will be taxed using the new system. These taxes are accounted for in the General Fund. Accordingly, such taxes due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Levy Date	Date on which legal situs is attained
Lien Date	Date on which legal situs is attained
Due Date	Thirty days after assessment
Delinquent Date	Thirty-one days after assessment

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

6. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,149,570 at June 30, 2006 and consisted of the following:

General Fund (property taxes)	\$ 1,109,676
Water and Sewer Fund	39,894
Total	<u>\$ 1,149,570</u>

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	25-50
Improvements other than buildings	10-65
Infrastructure	10-65
Machinery and equipment	5-30

9. Compensated Absences

In accordance with Government Accounting Standards Board Statement 16, "Accounting for Compensated Absences", the City has accrued the liability arising from compensated absences.

City employees earn vacation at a rate of 8 to 14 hours per month, depending on years of service. Sick leave is earned at the rate of one day per month. Benefits or pay is received for unused sick leave upon termination at 25% of its carrying value to a maximum of \$5,000 per employee after five years of credited service. Accumulated vacation up to forty-two days is paid upon termination.

Employees of the Discretely Presented Component Unit School Board, who retire under the Virginia Retirement System, have been employed by the School Board for the immediately preceding ten consecutive years prior to retirement in a full-time position receive \$25 a day for any unused sick leave up to a maximum of 90 days. Twelve-month employees who earn annual leave and retire under the Virginia Retirement System, but who are not eligible to participate or choose not to participate in the Voluntary Semi-Retirement Program and have worked for Winchester Public Schools for the immediately preceding ten consecutive years prior to retirement in a full-time position, shall be paid per diem upon retirement (based on their final annual salary) for their unused annual leave up to a maximum of 20 days.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

9. Compensated Absences (cont'd)

All vacation and sick pay currently payable is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face value of the debt issued plus premium is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of these \$94,129,291, \$563,553, and \$42,652 differences for the primary government, discretely presented component unit-school board and parking authority, respectively, are as follows:

	Primary Government	Component Units	
		School Board	Parking Authority
Bonds payable	\$ 90,474,179	\$ -	\$ -
Less: Unamortized bond issue costs	(639,482)	-	-
Less: Deferred charge on refunding	(929,774)	-	-
Less: Issuance discount	(1,038)	-	-
Plus: Issuance premium	1,781,426	-	-
Capital leases payable	800,463	-	-
Debt payments reported as prepaid items in fund financial statements	105,245	-	-
Accrued interest payable	1,070,017	-	-
Compensated absences	<u>1,468,255</u>	<u>563,553</u>	<u>42,652</u>
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets— governmental activities</i>	<u>\$ 94,129,291</u>	<u>\$ 563,553</u>	<u>\$ 42,652</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (cont'd)

Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets." The details of this \$1,672,723 difference in the primary government are as follows:

Net assets of the internal service funds	\$ 1,648,830
Less: Internal payable representing charges in excess of cost to business-type activities – prior years	(24,674)
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	<u>48,567</u>
Net adjustments to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets- governmental activities</i>	<u>\$ 1,672,723</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(35,961,047) difference in the primary government are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (282,000)
Issuance of general obligation bonds	(39,000,000)
Plus premium	(1,230,047)
Principal repayments:	
General obligation debt	3,919,102
Capital lease	371,730
Bond issuance costs	<u>260,168</u>
Net adjustments to decrease <i>net changes in fund balances- total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (35,961,047)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(433,287), \$38,977, and \$437 differences for the primary government, discretely presented component unit-school board and parking authority, respectively, is as follows:

	Primary Government	Component Units	
		School Board	Parking Authority
Compensated absences	\$ (93,431)	\$ 38,977	\$ 437
Accrued interest	(238,274)	-	-
Amortization of bond issue costs	(59,256)	-	-
Amortization of issuance discount	(1,026)	-	-
Amortization of issuance premium	110,834	-	-
Amortization of deferred charge on refunding	<u>(152,134)</u>	<u>-</u>	<u>-</u>
Net adjustments to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (433,287)</u>	<u>\$ 38,977</u>	<u>\$ 437</u>

**City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006**

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (cont'd)

Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities." The details of this \$(213,310) difference in the primary government are as follows:

Changes in net assets of the internal service funds	\$ (261,877)
Add: Loss from costs in excess of charges to business-type activities	<u>48,567</u>
Net adjustments to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (213,310)</u>

C. Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets

The proprietary fund statement of net assets includes a reconciliation between *net assets-total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statements of net assets. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$(23,893) difference are as follows:

Internal receivable representing charges in excess of costs to business-type activities – prior years	\$ 24,674
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>(48,567)</u>
Net adjustment to decrease <i>net assets-total enterprise funds</i> to arrive at <i>net assets-business-type activities</i>	<u>\$ (23,893)</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30 of each odd-numbered year, the City Manager submits to the Common Council a proposed operating and capital budget for the two fiscal years commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated biennial budgets are adopted for the General, Special Revenue, and Capital Projects Funds of the primary government and component unit - school board.
4. The Appropriations Resolution is adopted at the fund, function, and department level and places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's departmental categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Capital Projects Funds. The discretely presented component unit - school board is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

Budgetary Information (cont'd)

7. Appropriations lapse on June 30, for all City funds.
8. All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City required 4 budget amendments during the year, representing a net increase of \$91,049,501. Included in this amount are the anticipated expenditures from bond proceeds in the amount of \$45,000,000.

4. DEPOSITS AND INVESTMENTS

Deposits

All cash of the City and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments

The City's investments are subject to credit risk, concentration of credit risk, and interest rate risk as described below. The City's investments are not subject to custodial risk or foreign currency risk.

Credit Risk - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The City has no investment policy that would further limit its investment choices.

The City's rated debt investments as of June 30, 2006 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Investment Type	Fair Value	Fair Quality Ratings		
		AAA	A	Unrated
<u>Primary Government</u>				
U.S. Agencies	\$ 8,034,977	\$ 8,034,977	\$ -	\$ -
Money Market Funds	1,040,138	247,193	-	792,945
Virginia State Non-Arbitrage Program	28,889,356	28,889,356	-	-
Local Government Investment Pool	7,478,889	7,478,889	-	-
	<u>\$ 45,443,360</u>	<u>\$ 44,650,415</u>	<u>\$ -</u>	<u>\$ 792,945</u>
<u>Component Unit – School Board</u>				
U.S. Agencies	\$ 2,135,304	\$ 2,135,304	\$ -	\$ -
Corporate Bonds	85,554	-	85,554	-
Money Market Funds	589,221	65,692	-	523,529
Virginia State Non-Arbitrage Program	16,273,704	16,273,704	-	-
Local Government Investment Pool	1,987,523	1,987,523	-	-
	<u>\$ 21,071,306</u>	<u>\$ 20,462,223</u>	<u>\$ 85,554</u>	<u>\$ 523,529</u>
<u>Component Unit – Parking Authority</u>				
U.S. Agencies	\$ 226,837	\$ 226,837	\$ -	\$ -
Money Market Funds	29,364	6,979	-	22,385
Local Government Investment Pool	211,138	211,138	-	-
	<u>\$ 467,339</u>	<u>\$ 444,954</u>	<u>\$ -</u>	<u>\$ 22,385</u>
Total Fair Value	<u>\$ 66,982,005</u>	<u>\$ 65,557,592</u>	<u>\$ 85,554</u>	<u>\$ 1,338,859</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

4. DEPOSITS AND INVESTMENTS (Cont'd)

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. At June 30, 2006, the City's investment in the Federal Home Loan Bank was 11.23% of the City's total investments.

Interest Rate Risk – As of June 30, 2006, the City had investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
<u>Primary Government</u>				
U.S. Agencies	\$ 8,034,977	\$ 8,034,977	\$ -	\$ -
Money Market Funds	1,040,138	1,040,138	-	-
Virginia State Non-Arbitrage Program	28,889,356	28,889,356	-	-
Local Government Investment Pool	7,478,889	7,478,889	-	-
	<u>\$ 45,443,360</u>	<u>\$ 45,443,360</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Component Unit – School Board</u>				
U.S. Agencies	\$ 2,135,304	\$ 2,135,304	\$ -	\$ -
Corporate Bonds	85,554	-	85,554	-
Money Market Funds	589,221	589,221	-	-
Virginia State Non-Arbitrage Program	16,273,704	16,273,704	-	-
Local Government Investment Pool	1,987,523	1,987,523	-	-
	<u>\$ 21,071,306</u>	<u>\$ 20,985,752</u>	<u>\$ 85,554</u>	<u>\$ -</u>
 <u>Component Unit – Parking Authority</u>				
U.S. Agencies	\$ 226,837	\$ 226,837	\$ -	\$ -
Money Market Funds	29,364	29,364	-	-
Local Government Investment Pool	211,138	211,138	-	-
	<u>\$ 467,339</u>	<u>\$ 467,339</u>	<u>\$ -</u>	<u>\$ -</u>
 Total Fair Value	<u>\$ 66,982,005</u>	<u>\$ 66,896,451</u>	<u>\$ 85,554</u>	<u>\$ -</u>

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arriving from increasing interest rates.

5. DUE FROM OTHER GOVERNMENTS

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
Commonwealth of Virginia:		
School funds	\$ -	\$ 958,905
State sales tax	-	286,042
Shared expenses	108,931	-
Local sales tax	1,858,192	-
Personal property tax relief	131,856	-
Welfare funds	710,596	-
Community development block grant	18,598	-
Transit grants	392,959	-
Other state funds	317,102	-
Total Due from the Commonwealth	<u>3,538,234</u>	<u>1,244,947</u>
 Total Due from Other Governments	<u>\$ 3,538,234</u>	<u>\$ 1,244,947</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Inter-fund balances at June 30, 2006 consisted of the following:

Primary Government:

Due to General Fund from:	
Non-major enterprise fund - Bus Service	\$ 224,849
Non-major governmental funds	578,129
Internal service funds	9,489
Total due to General Fund from other funds for cash advances	<u>\$ 812,467</u>

Component Unit School Board:

Due to School Operating Fund from:	
Federal Grants Fund for cash advance	<u>\$ 344,693</u>

Inter-fund transfers for the year ended June 30, 2006 consisted of the following:

Primary Government:

Transfers to General Fund from:	
Water and Sewer Fund	\$ 1,212,500
Capital Improvements Fund	846,352
Total transfers to General Fund	<u>\$ 2,058,852</u>

Transfers to Capital Improvements Fund from:

General Fund	\$ 489,039
Water and Sewer Fund	2,023,471
Total transfers to Capital Improvements Fund	<u>\$ 2,512,510</u>

Transfers to Water and Sewer Fund from:

General Fund	<u>\$ 21,100</u>
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Transfers to non-major governmental funds from:

General Fund	\$ 2,150,452
Other governmental funds	126,832
Total transfers to non-major governmental funds	<u>\$ 2,277,284</u>

Transfers to non-major enterprise fund from:

General Fund	<u>\$ 167,000</u>
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Component Unit School Board:

Transfers to non-major governmental funds from:	
School Operating Fund	<u>\$ 952,815</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

(Notes continued on next page)

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

7. CAPITAL ASSETS

PRIMARY GOVERNMENT

A summary of the changes in the City's capital assets for *governmental activities* is as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital Assets, not being depreciated:				
Land	\$ 2,958,719	\$ 99,100	\$ -	\$ 3,057,819
Construction in progress	<u>2,988,839</u>	<u>3,262,829</u>	<u>(371,690)</u>	<u>5,879,978</u>
Total capital assets not being depreciated	<u>5,947,558</u>	<u>3,361,929</u>	<u>(371,690)</u>	<u>8,937,797</u>
Capital assets, being depreciated:				
Buildings	\$ 18,574,362	\$ -	\$ (428,821)	\$ 18,145,541
Improvements other than buildings	4,670,995	350,001	-	5,020,996
Infrastructure	29,653,092	1,042,918	-	30,696,010
Equipment	<u>6,197,377</u>	<u>1,531,919</u>	<u>(48,105)</u>	<u>7,681,191</u>
Total capital assets being depreciated	<u>59,095,826</u>	<u>2,924,838</u>	<u>(476,926)</u>	<u>61,543,738</u>
Less accumulated depreciation for:				
Buildings	\$ (5,562,237)	\$ (367,687)	\$ 354,739	\$ (5,575,185)
Improvements other than buildings	(2,095,101)	(193,252)	-	(2,288,353)
Infrastructure	(10,032,238)	(555,673)	-	(10,587,911)
Equipment	<u>(3,670,157)</u>	<u>(555,576)</u>	<u>45,284</u>	<u>(4,180,449)</u>
Total accumulated depreciation (1)	<u>(21,359,733)</u>	<u>(1,672,188)</u>	<u>400,023</u>	<u>(22,631,898)</u>
Total capital assets being depreciated, net	<u>37,736,093</u>	<u>1,252,650</u>	<u>(76,903)</u>	<u>38,911,840</u>
Governmental activities capital assets, net	<u>\$ 43,683,651</u>	<u>\$ 4,614,579</u>	<u>\$ (448,593)</u>	<u>\$ 47,849,637</u>

(1) Increase in accumulated depreciation consists of current depreciation of \$1,654,651 and accumulated depreciation for assets transferred to the primary government from business-type activities in the amount of \$17,537.

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Governmental activities:	
General government	\$ 98,546
Judicial administration	126,204
Public safety	361,807
Public works	827,468
Health and welfare	13,042
Parks, recreation, and cultural	223,404
Community development	<u>4,180</u>
Total depreciation expense – governmental activities	<u>\$ 1,654,651</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

7. CAPITAL ASSETS (Cont'd)

PRIMARY GOVERNMENT (cont'd)

A summary of the changes in the City's capital assets for *business-type activities* is as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital Assets, not being depreciated:				
Land	\$ 1,451,070	\$ -	\$ -	\$ 1,451,070
Construction in progress	<u>4,292,608</u>	<u>3,451,631</u>	<u>-</u>	<u>7,744,239</u>
Total capital assets not being depreciated	<u>5,743,678</u>	<u>3,451,631</u>	<u>-</u>	<u>9,195,309</u>
Capital assets, being depreciated:				
Buildings	3,102,980	-	-	3,102,980
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	57,283,797	323,751	(630,218)	56,977,330
Equipment	<u>2,135,398</u>	<u>173,577</u>	<u>(23,906)</u>	<u>2,285,069</u>
Total capital assets being depreciated	<u>62,641,012</u>	<u>497,328</u>	<u>(654,124)</u>	<u>62,484,216</u>
Less accumulated depreciation for:				
Buildings	(1,914,905)	(61,943)	-	(1,976,848)
Improvements other than buildings	(110,666)	(455)	-	(111,121)
Infrastructure	(15,008,216)	(871,048)	1,904	(15,877,360)
Equipment	<u>(1,092,080)</u>	<u>(183,131)</u>	<u>15,633</u>	<u>(1,259,578)</u>
Total accumulated depreciation	<u>(18,125,867)</u>	<u>(1,116,577)</u>	<u>17,537</u>	<u>(19,224,907)</u>
Total capital assets being depreciated, net	<u>44,515,145</u>	<u>(619,249)</u>	<u>(636,587)</u>	<u>43,259,309</u>
Business-type activities capital assets, net	<u>\$ 50,258,823</u>	<u>\$ 2,832,382</u>	<u>\$ (636,587)</u>	<u>\$ 52,454,618</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Business-type activities:	
Water and Sewer fund	\$ 1,016,884
Bus Fund	<u>99,693</u>
Total depreciation expense – business type activities	<u>\$ 1,116,577</u>

Summaries of the changes in the Discretely Presented Component Unit School Board and Parking Authority's capital assets are as follows:

COMPONENT UNIT - SCHOOL BOARD

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital Assets, not being depreciated:				
Land	\$ 2,307,970	\$ -	\$ -	\$ 2,307,970
Construction in progress	<u>24,092,774</u>	<u>28,213,437</u>	<u>-</u>	<u>52,306,211</u>
Total capital assets not being depreciated	<u>26,400,744</u>	<u>28,213,437</u>	<u>-</u>	<u>54,614,181</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

7. CAPITAL ASSETS (Cont'd)

COMPONENT UNIT - SCHOOL BOARD (cont'd)

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, being depreciated:				
Buildings	\$ 23,472,857	\$ -	\$ -	\$ 23,472,857
Improvements other than buildings	1,883,695	-	-	1,883,695
Equipment	<u>4,083,822</u>	<u>585,113</u>	<u>(233,128)</u>	<u>4,435,807</u>
Total capital assets being depreciated	<u>29,440,374</u>	<u>585,113</u>	<u>(233,128)</u>	<u>29,792,359</u>
Less accumulated depreciation for:				
Buildings	(9,214,643)	(435,311)	-	(9,649,954)
Improvements other than buildings	(1,623,657)	(17,295)	-	(1,640,952)
Equipment	<u>(2,320,260)</u>	<u>(288,736)</u>	<u>206,829</u>	<u>(2,402,167)</u>
Total accumulated depreciation	<u>(13,158,560)</u>	<u>(741,342)</u>	<u>206,829</u>	<u>(13,693,073)</u>
Total capital assets being depreciated, net	<u>16,281,814</u>	<u>(156,229)</u>	<u>(26,299)</u>	<u>16,099,286</u>
School Board capital assets, net	<u>\$ 42,682,558</u>	<u>\$ 28,057,208</u>	<u>\$ (26,299)</u>	<u>\$ 70,713,467</u>

COMPONENT UNIT - PARKING AUTHORITY

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital Assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Capital assets, being depreciated:				
Buildings	1,792,495	-	-	1,792,495
Improvements other than buildings	56,179	-	-	56,179
Equipment	<u>137,201</u>	<u>15,890</u>	-	<u>153,091</u>
Total capital assets being depreciated	<u>1,985,875</u>	<u>15,890</u>	<u>-</u>	<u>2,001,765</u>
Less accumulated depreciation for:				
Buildings	\$ (734,785)	\$ (35,804)	\$ -	\$ (770,589)
Improvements other than buildings	(52,673)	(535)	-	(53,208)
Equipment	<u>(96,480)</u>	<u>(9,418)</u>	<u>-</u>	<u>(105,898)</u>
Total accumulated depreciation	<u>(883,938)</u>	<u>(45,757)</u>	<u>-</u>	<u>(929,695)</u>
Total capital assets being depreciated, net	<u>1,101,937</u>	<u>(29,867)</u>	<u>-</u>	<u>1,072,070</u>
Parking Authority capital assets, net	<u>\$ 1,113,622</u>	<u>\$ (29,867)</u>	<u>\$ -</u>	<u>\$ 1,083,755</u>

Depreciation expense was charged to functions/programs of the respective Component Unit's governmental activities as follows:

Governmental activities:	
School Board - Education	<u>\$ 741,342</u>
Parking Authority - Public works	<u>\$ 45,757</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

8. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of fiscal year 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred Property Tax Revenue, representing uncollected tax billings at June 30, 2006 (General Fund)	\$ 1,687,851	\$ -
Property Taxes Paid in Advance, representing property taxes not yet due, but paid by June 30, 2006 (General Fund)	-	518,165
Grants received in advance, representing advance grant funding, not yet expended at June 30, 2006 (Special Revenue Fund)	-	100,576
Total deferred revenue for governmental funds	<u>\$ 1,687,851</u>	<u>\$ 618,741</u>

10. LONG-TERM DEBT

PRIMARY GOVERNMENT

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30	<u>Governmental Activities</u>				<u>Business-type Activities</u>	
	<u>General Obligation Debt</u>		<u>Capital Lease Agreements</u>		<u>General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,470,362	\$ 3,731,216	\$ 206,084	\$ 26,243	\$ 1,176,675	\$ 1,146,753
2008	4,539,394	3,586,874	321,500	21,702	1,228,398	1,098,351
2009	4,634,227	3,423,659	214,339	9,609	1,320,328	1,045,790
2010	4,769,665	3,265,851	58,540	2,312	1,417,710	990,161
2011	4,905,991	3,077,057	-	-	1,495,313	927,656
2012-2016	23,278,786	12,585,991	-	-	8,219,417	3,673,712
2017-2021	22,583,428	7,622,167	-	-	8,102,409	1,777,243
2022-2026	21,292,326	2,315,878	-	-	3,702,674	357,554
Total	<u>\$ 90,474,179</u>	<u>\$ 39,608,693</u>	<u>\$ 800,463</u>	<u>\$ 59,866</u>	<u>\$ 26,662,924</u>	<u>\$ 11,017,220</u>

Compensated absences are not included in the schedule reflecting annual requirements to amortize long-term obligations since it cannot be estimated when they will be paid.

(Notes continued on next page)

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

Changes in Long-Term Debt

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2006:

<u>Governmental Activities:</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2006</u>	<u>Due within one year</u>
General Obligation Bonds	\$ 54,688,281	\$ 39,000,000	\$ 3,809,102	\$ 89,879,179	\$ 4,355,362
Unamortized Bond Premium	662,213	1,230,047	110,834	1,781,426	156,161
Unamortized Bond Discount	(2,064)	-	(1,026)	(1,038)	(689)
Unamortized Deferred Amount on Refunding	(1,081,908)	-	(152,134)	(929,774)	(143,296)
School Bonds	705,000	-	110,000	595,000	115,000
Capital Leases	945,288	282,000	426,825	800,463	206,084
Compensated absences	<u>1,411,352</u>	<u>245,848</u>	<u>157,097</u>	<u>1,500,103</u>	<u>160,000</u>
Total Governmental Activities	<u>\$ 57,328,162</u>	<u>\$ 40,757,895</u>	<u>\$ 4,460,698</u>	<u>\$ 93,625,359</u>	<u>\$ 4,848,622</u>
<u>Business-type Activities:</u>					
General Obligation Bonds	\$ 21,751,067	\$ 6,000,000	\$ 1,088,143	\$ 26,662,924	\$ 1,176,676
Unamortized Bond Premium	209,161	193,366	30,011	372,516	36,781
Unamortized Bond Discount	(161)	-	(80)	(81)	(54)
Unamortized Deferred Amount on Refunding	(668,981)	-	(83,728)	(585,253)	(80,376)
Compensated absences	<u>276,779</u>	<u>17,792</u>	<u>55,741</u>	<u>238,830</u>	<u>55,000</u>
Total Business-type Activities	<u>\$ 21,567,865</u>	<u>\$ 6,211,158</u>	<u>\$ 1,090,087</u>	<u>\$ 26,688,936</u>	<u>1,188,027</u>
Primary Government Totals	<u>\$ 78,896,027</u>	<u>\$ 46,969,053</u>	<u>\$ 5,550,785</u>	<u>\$120,314,295</u>	<u>\$ 6,036,649</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, 2006, \$31,848 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

<u>Details of Long-Term Indebtedness</u>	<u>Governmental</u>	<u>Business-type</u>
<u>General Obligation Bonds:</u>		
\$8,275,000 General Obligation Public Improvement and Refunding Bonds, Series of 1997, issued December 30, 1997, maturing annually beginning March 1, 1998 through 2011, interest payable semi-annually at rates of 3.6% to 4.7% (net of discount).	2,308,376	180,507
\$10,000,000 General Obligation Public Improvement Bonds, Series of 1999A, issued June 16, 1999, maturing annually beginning June 1, 2000 through June 3, 2019, interest payable semi-annually at 4.86%.	3,748,551	3,748,551
\$10,000,000 General Obligation Public Improvement Bonds, Series of 2000, issued June 28, 2000, maturing annually beginning June 1, 2001 through June 1, 2020, interest payable semi-annually at 5.43%.	508,500	1,186,500

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

	<u>Governmental</u>	<u>Business-type</u>
<u>Details of Long-Term Indebtedness (cont'd)</u>		
\$10,000,000 General Obligation Public Improvement Bonds, Series of 2001, issued October 5, 2001, maturing annually beginning September 1, 2002 through September 1, 2021, interest payable semi-annually at 4.50%.	3,546,500	5,103,500
\$3,680,000 General Obligation Public Improvement Bonds, Series of 2002A, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2023, interest payable semi-annually at 3.58%.	3,275,000	-
\$6,320,000 General Obligation Public Improvement Refunding Bonds, Series of 2002B, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2014, interest payable semi-annually at 3.30% (net of deferred charge).	4,182,761	1,051,037
\$9,595,000 General Obligation Public Improvement Bonds, Series of 2003, issued December 18, 2003, maturing annually beginning September 1, 2004 through September 1, 2023, interest payable semi-annually at 3.79% (including premium).	6,312,932	2,714,259
\$35,020,000 General Obligation Public Improvement and Refunding Bonds, Series of 2004, issued October 21, 2004, maturing annually beginning January 15, 2005 through January 15, 2025, interest payable semi-annually at 3.7723% (including premium and net of deferred charge).	26,664,465	6,279,828
\$45,000,000 General Obligation Public Improvement, Series of 2005, issued November 1, 2005, maturing annually beginning November 1, 2006 through November 1, 2025, interest payable semi-annually at 4.1861% (including premium).	<u>40,182,708</u>	<u>6,185,924</u>
Total General Obligation Bonds	<u>90,729,793</u>	<u>26,450,106</u>
School Bonds:		
\$2,180,000 issue School Bonds dated October 1, 1990, maturing annual on July 15 through 2010, interest payable semi-annually at various rates.	<u>595,000</u>	-
Total General Obligation Debt	<u>91,324,793</u>	<u>26,450,106</u>
Capital Lease Obligations:		
\$26,794 Capital lease for financing the purchase of a color copier, entered into during fiscal year 2002, due in monthly installments of \$518, including an imputed interest rate of 6.00% per annum.	3,054	-

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

	<u>Governmental</u>	<u>Business-type</u>
<u>Details of Long-Term Indebtedness (cont'd)</u>		
\$843,424 Capital lease for financing the purchase of an energy management system, entered into during fiscal year 1998, due in semi-annual installments, including principal and interest at a rate of 5.83% per annum.	168,899	-
\$766,308 Capital lease for financing the purchase of 4 buses and technology equipment, entered into during fiscal year 2005, due in annual installments, including principal and interest at a rate of 3.21% per annum.	459,479	-
\$282,000 Capital lease for financing the purchase of 4 buses, entered into during fiscal year 2006, due in annual installments, including principal and interest at a rate of 3.95% per annum.	169,031	-
Total Capital Lease Obligations	800,463	-
Compensated Absences	\$ 1,500,103	\$ 238,830
Total Primary Government Long-Term Debt	\$ 93,625,359	\$ 26,688,936

COMPONENT UNIT SCHOOL BOARD

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit School Board for the year ended June 30, 2005:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2006</u>	<u>Due within one year</u>
<u>Governmental Activities:</u>					
Compensated absences	\$ 602,530	\$ 842,373	\$ 881,350	\$ 563,553	\$ 30,000
Component Unit School Board Totals	\$ 602,530	\$ 842,373	\$ 881,350	\$ 563,553	\$ 30,000

	<u>Amount</u>
<u>Details of Long-Term Indebtedness</u>	
Compensated absences	\$ 563,553
Total Component Unit School Board Long-Term Debt	\$ 563,553

COMPONENT UNIT PARKING AUTHORITY

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit Parking Authority for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2006</u>	<u>Due within one year</u>
<u>Governmental Activities:</u>					
Compensated absences	\$ 43,089	\$ -	\$ 437	\$ 42,652	\$ -
Component Unit Parking Authority Totals	\$ 43,089	\$ -	\$ 437	\$ 42,652	\$ -

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

10. LONG-TERM DEBT (Cont'd)

COMPONENT UNIT PARKING AUTHORITY (cont'd)

	<u>Amount</u>
<u>Details of Long-Term Indebtedness</u>	
Compensated absences	\$ 42,652
Total Component Unit Parking Authority Long-Term Debt	<u>\$ 42,652</u>

11. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of various school equipment and twelve buses. The assets acquired through capital leases are as follows:

	<u>Amount</u>
<u>School Board Component Unit</u>	
Equipment	<u>\$ 1,918,526</u>

The future minimum lease obligations of these leases and the net present value of these minimum lease payments as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	232,327
2008	343,202
2009	223,948
2010	<u>60,852</u>
Total minimum lease payments	860,329
Less: amount representing interest	<u>(59,866)</u>
Present value of minimum lease payments	<u>\$ 800,463</u>

12. CONTINGENT LIABILITIES

Federal programs in which the City participates were audited in accordance with provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse affect on the financial condition of the government.

13. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

In connection with the multi-purpose general obligation bonds issued in 2005, the City continued or began major renovations or construction of Daniel Morgan Middle School, John Handley High School, City Yards renovations, Valley Avenue Road improvements, Emergency Communications equipment, Joint Judicial Center improvements, addition of a senior center and Water plant upgrades.

	<u>General</u>	<u>Schools</u>	<u>Utilities</u>
Estimated project costs	\$ 7,500,000	\$ 31,500,000	\$ 6,000,000
Costs incurred through 6-30-06	<u>(1,099,246)</u>	<u>(24,637,686)</u>	<u>(3,467,814)</u>
Estimated remaining costs	<u>\$ 6,400,754</u>	<u>\$ 6,862,314</u>	<u>\$ 2,532,186</u>

These projects are expected to exceed \$45,000,000. Additional funding to complete the schools project will be funded by Series 2006 bonds, which are expected to be issued in November 2006.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

14. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Winchester contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, the City of Winchester School Board contributes to the VRS for both its professional and non-professional employees. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing to the System at P. O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2006 was 7.50% of annual covered payroll. The City School Board contribution rate for the fiscal year ended 2006 was 3.00% of annual covered payroll of non-professional employees.

The City School Board's required contributions to the teacher cost-sharing pool were \$1,382,474 for fiscal year 2006, \$1,196,821 for fiscal year 2005 and \$707,694 for fiscal year 2004. In each year, the School Board contributed 100% of the required contributions.

Annual Pension Cost

For fiscal year 2006, the City's annual pension cost of \$1,208,484 was equal to the City's required and actual contributions. For fiscal year 2006, the City School Board's annual pension cost of \$46,596 for its non-professional employees was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return, (b) projected salary increases ranging from 4.00 percent to 7.00 percent per year, and (c) 3.00 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Three-Year Trend Information

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>City</u>				
	June 30, 2004	\$ 367,917	100%	-
	June 30, 2005	1,149,801	100%	-
	June 30, 2006	1,208,484	100%	-
<u>City School Board (non-professional employees)</u>				
	June 30, 2004	\$ 19,296	100%	-
	June 30, 2005	43,984	100%	-
	June 30, 2006	46,596	100%	-

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other cities and counties in the Virginia Local Government Risk Management Plan (VARISK2), a public entity risk pool currently operating as a common risk management and insurance program for several member cities and counties in Virginia. The City pays an annual premium to VARISK2 for its public officials general liability and public officials law enforcement liability insurance coverage. The agreement for formation of the VARISK2 provides that VARISK2 will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1 million for each insured event.

Through the Virginia Municipal League, the City has joined together with other cities and counties in the Virginia Municipal Group Self Insurance Association (VMGSIA) and the Virginia Municipal Liability Pool (VMLP), public entity risk pools currently operating as common risk management and insurance programs for several member cities and counties in Virginia. The City pays an annual premium to VMGSIA for its workers' compensation and employer's liability insurance coverage, and to VMLP for its general liability and commercial automotive coverage. The agreements for formation of the VMGSIA and VMLP provide that they will be self-sustaining through member premiums. Workers' compensation coverage provides the benefits as set forth in the Virginia Workers' Compensation Act. VMLP will reinsure through commercial insurance companies for claims in excess of \$5 million for general liability, and \$5 million for automotive liability.

Through the Virginia School Board Association, the component unit school board has joined together with school boards of other cities and counties in the VSBA Insurance Program and School Systems of VA Group Self-Insurance Association, public entity risk pools currently operating as an insurance program and common risk management for several member city and county school boards in Virginia. The school board pays annual premiums to VSBA Insurance Program and School Systems of VA Group Self-Insurance Association for its employer liability insurance coverage and worker's compensation insurance coverage. The agreement for formation of VSBA Insurance Program and School Systems of VA Group Self-Insurance Association provides that it will be self-sustaining through member premiums. The Worker's compensation coverage provides the benefits set forth in the Virginia Workers' Compensation Act.

The City carries commercial insurance for all other risks of loss, including property, commercial crime and fidelity, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City and School Board Component Unit are partially self-insured for health insurance coverage for their respective employees, and account for the uninsured risks of loss within Internal Service Funds. From the Internal Service Funds, the City and School Board pay up to the annual stop loss limit of \$75,000 per person, and purchase commercial insurance for claims in excess of such limits. The City and School Board make payments to a claims service provider based on estimates of the amounts needed to pay prior-year and current-year claims in addition to the premiums for the stop loss coverage. Excess amounts accumulated in the Funds are reserved for the possibility of future catastrophic losses.

For the City and School Board, the claim liabilities reported at June 30, 2006 of \$192,576 and \$342,173, respectively, are based on the requirements of Governmental Accounting Standards Board statement number 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The statement further requires that the portion of the claims liability expected to be paid with available financial resources be reported as a fund liability. Changes in the City and School Board claims liability amount for fiscal year 2004, 2005, and 2006 are shown below.

<u>Year Ended</u>	<u>Beginning Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year-end</u>
<u>Primary Government</u>				
2004	\$ 136,709	\$ 1,907,356	\$ 1,866,152	\$ 177,913
2005	177,913	2,070,204	2,056,983	191,134
2006	191,134	2,566,031	2,564,589	192,576
<u>Component Unit – School Board</u>				
2004	\$ 330,025	\$ 2,779,192	\$ 2,772,643	\$ 336,574
2005	336,574	2,866,304	2,894,317	308,561
2006	308,561	3,119,108	3,085,496	342,173

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2006

16. SURETY BONDS

	<u>Amount</u>
<u>Fidelity and Deposit Company of Maryland - Surety</u>	
Finance Director/Treasurer	\$ 500,000
Commissioner of the Revenue	3,000
Clerk of the Circuit Court	290,000
Sheriff	30,000
 <u>VML Insurance Programs</u>	
All City employees (including Social Services) – blanket bond	500,000
Treasurer	50,000

17. RELATED PARTY TRANSACTIONS

During fiscal year 2006, the City paid \$74,593 to Tire Distributors, Inc. for automobile repair services. As noted in the annual statements of economic interests filed by Council members and other city administrators, one member of the City's Common Council has economic interests in this business.

18. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, the City provides post-retirement health care benefits for employees who are eligible for retirement benefits. As of June 30, 2006, a retiree is eligible to participate in the City's health insurance plan if the following requirements are met: a) they must meet VRS requirements for service retirement b) they must be a current participant in the City's health insurance program, and c) they must be under age 65 and not eligible for Medicare.

For fiscal year 2006, 36 retirees were both eligible and participated in this benefit. The City contributes 100% towards the cost of the lowest health care coverage policy in effect. The participants pay the remaining cost if they select a higher coverage policy. The City contributed a total of \$108,139 towards retiree health insurance for fiscal year 2006.

19. PRIOR PERIOD ADJUSTMENTS

Beginning net assets as of July 1, 2005 were restated for the following prior period adjustments:

	<u>Community Development Block Grant Fund</u>
<u>Fund Financial Statements</u>	
Fund balance at June 30, 2005, as last reported	\$ 230,896
Adjustments:	
Reverse prior year overstatement of federal grant receivable	(31,004)
Fund balance, restated at July 1, 2005	<u>\$ 199,892</u>
	<u>Primary Government Governmental Activities</u>
<u>Government-wide Financial Statements</u>	
Net Assets at June 30, 2005, as last reported	\$ 10,920,305
Adjustments:	
Reverse prior year overstatement of federal grant receivable	(31,004)
Net Assets, restated at July 1, 2005	<u>\$ 10,889,301</u>

20. PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2006, \$22,360,000 of bonds outstanding are considered defeased.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN

CITY						Exhibit 11
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	41,450,527	42,102,929	652,402	98.5%	13,685,007	4.8%
June 30, 2004	42,024,133	46,082,265	4,058,132	91.2%	14,881,505	27.3%
June 30, 2005	43,378,252	48,547,256	5,169,004	89.4%	15,470,872	33.4%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL)						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	2,621,974	2,373,244	(248,730)	110.5%	1,205,627	-20.6%
June 30, 2004	2,725,754	2,621,253	(104,501)	104.0%	1,301,720	-8.0%
June 30, 2005	2,901,931	3,275,303	373,372	88.6%	1,448,179	25.8%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Social Service Fund - to account for the provision of health and welfare services. Financing is provided by state and federal funds, which may be used only for this purpose.

Comprehensive Services Fund - to account for the provisions of special services to youth and families required by the Comprehensive Services Act. Financing is provided by state funds, which may be used only for this purpose.

Federal and State Grants Fund - to account for the proceeds of state and federal grants, and the related local match and other revenues, the expenditure of which is governed by the terms of the grants for specified purposes. Currently, those grants are specified for law enforcement and related judicial administration.

Community Development Block Grant Fund - to account for the proceeds from Private Property Rehabilitation Program deferred loans funded under a Community Development Block Grant by the Department of Housing and Urban Development.

Small Cities/Housing Fund - to account for the costs of providing housing assistance. Financing is provided by loan payments made by homeowners as well as state funding received.

Highway Maintenance Fund - to account for the proceeds of state street and highway maintenance grants, and the related expenditure which is to be used for this purpose.

Emergency Communication Center Fund - to account for E-911 tax receipts and other emergency technology grants received from the state. Financing provided by grants, as well as the E-911 tax receipts, may only be used to fund the operation of the E-911 system.

Winchester-Frederick County Convention and Visitors Bureau Fund - to account for the costs of a shared visitors bureau. Financing is provided in equal amounts by the City of Winchester and Frederick County.

Law Library Fund - to account for the purchase of reference material for the law library. Financing is provided by a portion of court fines levied. Such funds are limited to expenditures for this purpose.

Asset Forfeiture Fund - to account for the proceeds from the seizure of assets in the investigation of criminal activities, the expenditure of which is governed by federal and state law enforcement agencies.

DEBT SERVICE FUNDS

School Bond Debt Service Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related charges.

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006**

Exhibit 12

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 459,360	\$ 111,267	\$ 570,627
Investments	954,066	231,096	1,185,162
Receivables:			
Accounts	110,691	-	110,691
Interest	2,411	584	2,995
Due from other governments	993,312	-	993,312
Total assets	<u>\$ 2,519,840</u>	<u>\$ 342,947</u>	<u>\$ 2,862,787</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	289,931	-	289,931
Accrued payroll	82,250	-	82,250
Due to other funds	578,129	-	578,129
Deferred revenue	100,576	-	100,576
Total liabilities	<u>1,050,886</u>	<u>-</u>	<u>1,050,886</u>
Fund balances:			
Unreserved:			
Designated for public safety	89,081	-	89,081
Undesignated	1,379,873	342,947	1,722,820
Total fund balances	<u>1,468,954</u>	<u>342,947</u>	<u>1,811,901</u>
Total liabilities and fund balances	<u>\$ 2,519,840</u>	<u>\$ 342,947</u>	<u>\$ 2,862,787</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

Exhibit 13

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES			
Other local taxes	\$ 579,235	\$ -	\$ 579,235
Revenues from use of money and property	39,426	12,205	51,631
Charges for services	30,975	-	30,975
Miscellaneous	250,478	-	250,478
Recovered costs	5,507	-	5,507
Intergovernmental:			
Commonwealth	4,329,015	-	4,329,015
Federal	3,075,099	-	3,075,099
Total revenues	<u>8,309,735</u>	<u>12,205</u>	<u>8,321,940</u>
EXPENDITURES			
Current:			
Judicial administration	169,620	-	169,620
Public safety	1,396,357	-	1,396,357
Public works	1,889,891	-	1,889,891
Health and welfare	6,100,617	-	6,100,617
Community development	714,913	-	714,913
Debt service:			
Principal	58,848	117,468	176,316
Interest and fiscal charges	43,356	34,667	78,023
Total expenditures	<u>10,373,602</u>	<u>152,135</u>	<u>10,525,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,063,867)</u>	<u>(139,930)</u>	<u>(2,203,797)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,277,284	-	2,277,284
Transfers out	(126,832)	-	(126,832)
Total other financing sources (uses)	<u>2,150,452</u>	<u>-</u>	<u>2,150,452</u>
Net change in fund balances	86,585	(139,930)	(53,345)
Fund balance - beginning (as adjusted)	<u>1,382,369</u>	<u>482,877</u>	<u>1,865,246</u>
Fund balance - ending	<u>\$ 1,468,954</u>	<u>\$ 342,947</u>	<u>\$ 1,811,901</u>

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006**

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Small Cities/Housing Fund
ASSETS					
Cash	\$ -	\$ 38	\$ 158	\$ 113,558	\$ 22,649
Investments	-	78	328	235,855	47,040
Accounts receivable	1,050	54,174	1,445	-	-
Interest receivable	-	-	1	596	119
Due from other governments	<u>283,846</u>	<u>426,906</u>	<u>263,962</u>	<u>18,598</u>	<u>-</u>
Total assets	<u>\$ 284,896</u>	<u>\$ 481,196</u>	<u>\$ 265,894</u>	<u>\$ 368,607</u>	<u>\$ 69,808</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	49,572	145,620	36,091	-	-
Accrued payroll	35,485	2,630	5,439	986	1,087
Due to other funds	97,129	313,000	168,000	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>56,364</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>182,186</u>	<u>461,250</u>	<u>265,894</u>	<u>986</u>	<u>1,087</u>
Fund balances:					
Unreserved:					
Designated for public safety	-	-	-	-	-
Undesignated	<u>102,710</u>	<u>19,946</u>	<u>-</u>	<u>367,621</u>	<u>68,721</u>
Total fund balances	<u>102,710</u>	<u>19,946</u>	<u>-</u>	<u>367,621</u>	<u>68,721</u>
Total liabilities and fund balances	<u>\$ 284,896</u>	<u>\$ 481,196</u>	<u>\$ 265,894</u>	<u>\$ 368,607</u>	<u>\$ 69,808</u>

Exhibit 14

Highway Maintenance Fund	Emergency Communication Center Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Total
\$ 228,141	\$ 17,151	\$ 26,279	\$ 7,719	\$ 43,667	\$ 459,360
473,837	35,622	54,581	16,031	90,694	954,066
-	50,962	1,248	1,812	-	110,691
1,198	90	138	40	229	2,411
-	-	-	-	-	993,312
<u>\$ 703,176</u>	<u>\$ 103,825</u>	<u>\$ 82,246</u>	<u>\$ 25,602</u>	<u>\$ 134,590</u>	<u>\$ 2,519,840</u>
43,424	5,395	5,597	2,935	1,297	289,931
19,199	14,085	3,089	250	-	82,250
-	-	-	-	-	578,129
-	-	-	-	44,212	100,576
<u>62,623</u>	<u>19,480</u>	<u>8,686</u>	<u>3,185</u>	<u>45,509</u>	<u>1,050,886</u>
-	-	-	-	89,081	89,081
<u>640,553</u>	<u>84,345</u>	<u>73,560</u>	<u>22,417</u>	<u>-</u>	<u>1,379,873</u>
<u>640,553</u>	<u>84,345</u>	<u>73,560</u>	<u>22,417</u>	<u>89,081</u>	<u>1,468,954</u>
<u>\$ 703,176</u>	<u>\$ 103,825</u>	<u>\$ 82,246</u>	<u>\$ 25,602</u>	<u>\$ 134,590</u>	<u>\$ 2,519,840</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2006

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Small Cities/Housing Fund
REVENUES					
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues from use of money and property	-	-	-	3,257	4,186
Charges for services	-	-	-	-	-
Miscellaneous	120	49,983	-	6,614	-
Recovered costs	-	-	-	-	-
Intergovernmental:					
Commonwealth	1,012,578	1,073,592	22,328	-	79,138
Federal	<u>1,643,656</u>	<u>-</u>	<u>1,024,382</u>	<u>404,041</u>	<u>-</u>
Total revenues	<u>2,656,354</u>	<u>1,123,575</u>	<u>1,046,710</u>	<u>413,912</u>	<u>83,324</u>
EXPENDITURES					
Current:					
Judicial administration	-	-	134,153	-	-
Public safety	-	-	639,576	-	-
Public works	-	-	-	-	-
Health and welfare	3,378,113	2,326,451	334,617	-	61,436
Community development	-	-	12,316	408,015	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,378,113</u>	<u>2,326,451</u>	<u>1,120,662</u>	<u>408,015</u>	<u>61,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(721,759)</u>	<u>(1,202,876)</u>	<u>(73,952)</u>	<u>5,897</u>	<u>21,888</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	715,000	1,210,000	73,952	161,832	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,832)</u>
Total other financing sources (uses)	<u>715,000</u>	<u>1,210,000</u>	<u>73,952</u>	<u>161,832</u>	<u>(126,832)</u>
Net change in fund balances	(6,759)	7,124	-	167,729	(104,944)
Fund balance - beginning (as adjusted)	<u>109,469</u>	<u>12,822</u>	<u>-</u>	<u>199,892</u>	<u>173,665</u>
Fund balance - ending	<u>\$ 102,710</u>	<u>\$ 19,946</u>	<u>\$ -</u>	<u>\$ 367,621</u>	<u>\$ 68,721</u>

Exhibit 15

Highway Maintenance Fund	Emergency Communication Center Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Total
\$ -	\$ 579,235	\$ -	\$ -	\$ -	\$ 579,235
15,181	4,966	2,060	748	9,028	39,426
-	4,500	-	26,475	-	30,975
531	-	193,230	-	-	250,478
5,507	-	-	-	-	5,507
2,063,306	34,467	-	-	43,606	4,329,015
3,020	-	-	-	-	3,075,099
<u>2,087,545</u>	<u>623,168</u>	<u>195,290</u>	<u>27,223</u>	<u>52,634</u>	<u>8,309,735</u>
-	-	-	28,178	7,289	169,620
-	750,477	-	-	6,304	1,396,357
1,889,891	-	-	-	-	1,889,891
-	-	-	-	-	6,100,617
-	-	294,582	-	-	714,913
-	58,848	-	-	-	58,848
-	43,356	-	-	-	43,356
<u>1,889,891</u>	<u>852,681</u>	<u>294,582</u>	<u>28,178</u>	<u>13,593</u>	<u>10,373,602</u>
<u>197,654</u>	<u>(229,513)</u>	<u>(99,292)</u>	<u>(955)</u>	<u>39,041</u>	<u>(2,063,867)</u>
-	-	116,500	-	-	2,277,284
-	-	-	-	-	(126,832)
-	-	116,500	-	-	2,150,452
197,654	(229,513)	17,208	(955)	39,041	86,585
<u>442,899</u>	<u>313,858</u>	<u>56,352</u>	<u>23,372</u>	<u>50,040</u>	<u>1,382,369</u>
<u>\$ 640,553</u>	<u>\$ 84,345</u>	<u>\$ 73,560</u>	<u>\$ 22,417</u>	<u>\$ 89,081</u>	<u>\$ 1,468,954</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2006

	Social Service Fund			Variance w/ Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Revenues from use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	120	120
Intergovernmental:				
Commonwealth	1,209,100	1,209,100	1,012,578	(196,522)
Federal	1,873,900	1,873,900	1,643,656	(230,244)
Total revenues	<u>3,083,000</u>	<u>3,083,000</u>	<u>2,656,354</u>	<u>(426,646)</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Health and welfare	3,970,000	3,970,000	3,378,113	591,887
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>3,970,000</u>	<u>3,970,000</u>	<u>3,378,113</u>	<u>591,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(887,000)</u>	<u>(887,000)</u>	<u>(721,759)</u>	<u>165,241</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	887,000	887,000	715,000	(172,000)
Total other financing sources and uses	<u>887,000</u>	<u>887,000</u>	<u>715,000</u>	<u>(172,000)</u>
Net change in fund balances	-	-	(6,759)	(6,759)
Fund balance (deficit) - beginning	-	-	109,469	109,469
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,710</u>	<u>\$ 102,710</u>

	Community Development Block Grant Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 3,257	\$ 3,257
Miscellaneous	-	-	6,614	6,614
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	290,000	260,361	404,041	143,680
Total revenues	<u>290,000</u>	<u>260,361</u>	<u>413,912</u>	<u>153,551</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community development	290,000	644,323	408,015	236,308
Total expenditures	<u>290,000</u>	<u>644,323</u>	<u>408,015</u>	<u>236,308</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(383,962)</u>	<u>5,897</u>	<u>389,859</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	161,832	161,832	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>161,832</u>	<u>161,832</u>	<u>-</u>
Net change in fund balances	-	(222,130)	167,729	389,859
Fund balance - beginning (as adjusted)	-	222,130	199,892	(22,238)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,621</u>	<u>\$ 367,621</u>

Exhibit 16

Comprehensive Services Fund				Federal and State Grants Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
67,000	67,000	49,983	(17,017)	-	-	-	-
1,240,000	1,240,000	1,073,592	(166,408)	25,400	28,400	22,328	(6,072)
-	-	-	-	606,900	1,271,144	1,024,382	(246,762)
1,307,000	1,307,000	1,123,575	(183,425)	632,300	1,299,544	1,046,710	(252,834)
-	-	-	-	182,000	182,000	134,153	47,847
-	-	-	-	178,500	810,806	639,576	171,230
2,495,000	2,495,000	2,326,451	168,549	359,500	359,500	334,617	24,883
-	-	-	-	-	58,700	12,316	46,384
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,495,000	2,495,000	2,326,451	168,549	720,000	1,411,006	1,120,662	290,344
(1,188,000)	(1,188,000)	(1,202,876)	(14,876)	(87,700)	(111,462)	(73,952)	37,510
1,188,000	1,188,000	1,210,000	22,000	87,700	111,462	73,952	(37,510)
1,188,000	1,188,000	1,210,000	22,000	87,700	111,462	73,952	(37,510)
-	-	7,124	7,124	-	-	-	-
-	-	12,822	12,822	-	-	-	-
\$ -	\$ -	\$ 19,946	\$ 19,946	\$ -	\$ -	\$ -	\$ -

Small Cities/Housing Fund				Highway Maintenance Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 4,186	\$ 4,186	\$ 3,000	\$ 3,000	\$ 15,181	\$ 12,181
-	-	-	-	-	-	531	531
-	-	-	-	-	3,000	5,507	2,507
70,000	70,000	79,138	9,138	2,067,000	2,067,000	2,063,306	(3,694)
-	-	-	-	-	3,000	3,020	20
70,000	70,000	83,324	13,324	2,070,000	2,076,000	2,087,545	11,545
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,070,000	2,120,000	1,889,891	230,109
70,000	70,000	61,436	8,564	-	-	-	-
-	-	-	-	-	-	-	-
70,000	70,000	61,436	8,564	2,070,000	2,120,000	1,889,891	230,109
-	-	21,888	21,888	-	(44,000)	197,654	241,654
-	-	-	-	-	-	-	-
-	(126,832)	(126,832)	-	-	-	-	-
-	(126,832)	(126,832)	-	-	-	-	-
-	(126,832)	(104,944)	21,888	-	(44,000)	197,654	241,654
-	126,832	173,665	46,833	-	44,000	442,899	398,899
\$ -	\$ -	\$ 68,721	\$ 68,721	\$ -	\$ -	\$ 640,553	\$ 640,553

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2006

	Emergency Communication Center Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Other local taxes	\$ 635,000	\$ 635,000	\$ 579,235	\$ (55,765)
Revenues from use of money and property	3,000	3,000	4,966	1,966
Charges for services	15,000	15,000	4,500	(10,500)
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	75,000	75,000	34,467	(40,533)
Federal	-	-	-	-
Total revenues	<u>728,000</u>	<u>728,000</u>	<u>623,168</u>	<u>(104,832)</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public safety	782,520	772,520	750,477	22,043
Health and welfare	-	-	-	-
Community development	-	-	-	-
Debt service:				
Principal	58,900	58,900	58,848	52
Interest and fiscal charges	33,580	43,580	43,356	224
Total expenditures	<u>875,000</u>	<u>875,000</u>	<u>852,681</u>	<u>22,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(147,000)</u>	<u>(147,000)</u>	<u>(229,513)</u>	<u>(82,513)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(147,000)</u>	<u>(147,000)</u>	<u>(229,513)</u>	<u>(82,513)</u>
Fund balance (deficit) - beginning	147,000	147,000	313,858	166,858
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,345</u>	<u>\$ 84,345</u>

	Asset Forfeiture Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 9,028	\$ 9,028
Miscellaneous	-	-	-	-
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	-	6,350	43,606	37,256
Federal	-	-	-	-
Total revenues	<u>-</u>	<u>6,350</u>	<u>52,634</u>	<u>46,284</u>
EXPENDITURES				
Current:				
Judicial administration	-	9,000	7,289	1,711
Public safety	-	6,340	6,304	36
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>15,340</u>	<u>13,593</u>	<u>1,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(8,990)</u>	<u>39,041</u>	<u>48,031</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(8,990)</u>	<u>39,041</u>	<u>48,031</u>
Fund balance - beginning	-	8,990	50,040	41,050
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,081</u>	<u>\$ 89,081</u>

Exhibit 16 (Cont'd)

Win-Fred Convention and Visitors Bureau Fund				Law Library Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,060	2,060	-	-	748	748
-	-	-	-	30,000	30,000	26,475	(3,525)
179,500	175,500	193,230	17,730	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>179,500</u>	<u>175,500</u>	<u>195,290</u>	<u>19,790</u>	<u>30,000</u>	<u>30,000</u>	<u>27,223</u>	<u>(2,777)</u>
-	-	-	-	30,000	30,000	28,178	1,822
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
320,000	292,000	294,582	(2,582)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>320,000</u>	<u>292,000</u>	<u>294,582</u>	<u>(2,582)</u>	<u>30,000</u>	<u>30,000</u>	<u>28,178</u>	<u>1,822</u>
<u>(140,500)</u>	<u>(116,500)</u>	<u>(99,292)</u>	<u>17,208</u>	<u>-</u>	<u>-</u>	<u>(955)</u>	<u>(955)</u>
<u>140,500</u>	<u>116,500</u>	<u>116,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>140,500</u>	<u>116,500</u>	<u>116,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	17,208	17,208	-	-	(955)	(955)
-	-	56,352	56,352	-	-	23,372	23,372
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,560</u>	<u>\$ 73,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,417</u>	<u>\$ 22,417</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2006

Exhibit 17

	School Bonds Debt Service Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 12,205	\$ 12,205
Total revenues	<u>-</u>	<u>-</u>	<u>12,205</u>	<u>12,205</u>
EXPENDITURES				
Debt service:				
Principal	120,000	120,000	117,468	2,532
Interest and fiscal charges	<u>35,000</u>	<u>35,000</u>	<u>34,667</u>	<u>333</u>
Total expenditures	<u>155,000</u>	<u>155,000</u>	<u>152,135</u>	<u>2,865</u>
Net change in fund balances	(155,000)	(155,000)	(139,930)	15,070
Fund balance - beginning	<u>155,000</u>	<u>155,000</u>	<u>482,877</u>	<u>327,877</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,947</u>	<u>\$ 342,947</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2006

Exhibit 18

	Capital Improvements Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 199,133	\$ 199,133
Miscellaneous	55,000	55,000	-	(55,000)
Recovered costs	-	-	75,000	75,000
Intergovernmental:				
Commonwealth	99,500	99,500	97,804	(1,696)
Total revenues	<u>154,500</u>	<u>154,500</u>	<u>371,937</u>	<u>217,437</u>
EXPENDITURES				
Current:				
General government administration	80,000	155,000	-	155,000
Public safety	535,000	548,200	13,500	534,700
Public works	11,715,000	10,364,350	2,572,833	7,791,517
Parks, recreation and culture	170,000	262,300	175,722	86,578
Community development	30,000	115,000	39,785	75,215
Capital projects	5,050,000	5,668,648	1,004,599	4,664,049
Debt Service:				
Bond issuance costs	-	50,650	50,640	10
Total expenditures	<u>17,580,000</u>	<u>17,164,148</u>	<u>3,857,079</u>	<u>13,307,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,425,500)</u>	<u>(17,009,648)</u>	<u>(3,485,142)</u>	<u>13,524,506</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	15,082,500	13,334,750	7,500,000	(5,834,750)
Premium on debt	-	215,450	215,428	(22)
Transfers in	1,535,000	3,447,800	2,512,510	(935,290)
Transfers out	-	(846,352)	(846,352)	-
Total other financing sources and uses	<u>16,617,500</u>	<u>16,151,648</u>	<u>9,381,586</u>	<u>(6,770,062)</u>
Net change in fund balances	(808,000)	(858,000)	5,896,444	6,754,444
Fund balance - beginning	<u>808,000</u>	<u>858,000</u>	<u>950,751</u>	<u>92,751</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,847,195</u>	<u>\$ 6,847,195</u>

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INTERNAL SERVICE FUNDS

Employee Benefits Fund - to account for the receipt and payment of funds for City employee fringe benefits, including health insurance and worker's compensation. Cost reimbursement revenues paid by departments and agencies of the City, as well as participating employees, are used to provide the employee fringe benefits.

Equipment Operating Fund - to account for the purchase and use of equipment inventory, which is provided to departments and agencies of the City on a cost reimbursement basis.

City Insurance Fund – to account for the costs associated with providing risk management services to the departments and agencies of the City. Costs are accumulated and payments are received from the City on a cost reimbursement basis.

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2006

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
ASSETS				
Current assets:				
Cash	\$ 1,024,096	\$ -	\$ 34,441	\$ 1,058,537
Investments	1,273,012	-	71,532	1,344,544
Receivables (net of allowance for uncollectibles):				
Accounts	618	2,706	-	3,324
Interest	3,219	-	181	3,400
Inventory	-	88,647	-	88,647
Total current assets	<u>2,300,945</u>	<u>91,353</u>	<u>106,154</u>	<u>2,498,452</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	-	89,967	-	89,967
Less accumulated depreciation	<u>-</u>	<u>(89,967)</u>	<u>-</u>	<u>(89,967)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>2,300,945</u>	<u>91,353</u>	<u>106,154</u>	<u>2,498,452</u>
LIABILITIES				
Current liabilities:				
Accounts payable	777,493	23,104	4	800,601
Accrued payroll	1,720	4,985	979	7,684
Due to other funds	-	9,489	-	9,489
Compensated absences	914	25,200	5,734	31,848
Total liabilities	<u>780,127</u>	<u>62,778</u>	<u>6,717</u>	<u>849,622</u>
NET ASSETS				
Unrestricted	<u>1,520,818</u>	<u>28,575</u>	<u>99,437</u>	<u>1,648,830</u>
Total net assets	<u>\$ 1,520,818</u>	<u>\$ 28,575</u>	<u>\$ 99,437</u>	<u>\$ 1,648,830</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2006

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
OPERATING REVENUES				
Charges for services	\$ 2,497,141	\$ 791,228	\$ 288,415	\$ 3,576,784
Total operating revenues	<u>2,497,141</u>	<u>791,228</u>	<u>288,415</u>	<u>3,576,784</u>
OPERATING EXPENSES				
Personal services	81,471	218,879	47,758	348,108
Contractual services	80	97,828	370	98,278
Other supplies and expenses	-	503,254	6,208	509,462
Insurance claims and expenses	2,564,589	-	315,603	2,880,192
Depreciation	-	4,172	-	4,172
Total operating expenses	<u>2,646,140</u>	<u>824,133</u>	<u>369,939</u>	<u>3,840,212</u>
Operating income (loss)	<u>(148,999)</u>	<u>(32,905)</u>	<u>(81,524)</u>	<u>(263,428)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental:				
Commonwealth	-	-	682	682
Investment earnings	-	-	869	869
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>1,551</u>	<u>1,551</u>
Change in net assets	(148,999)	(32,905)	(79,973)	(261,877)
Total net assets - beginning	<u>1,669,817</u>	<u>61,480</u>	<u>179,410</u>	<u>1,910,707</u>
Total net assets - ending	<u>\$ 1,520,818</u>	<u>\$ 28,575</u>	<u>\$ 99,437</u>	<u>\$ 1,648,830</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2006

Exhibit 21

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from internal services provided	\$ 2,497,960	\$ 788,944	\$ -	\$ 3,286,904
Cash paid to suppliers	-	(606,271)	-	(606,271)
Cash paid to employees	(94,680)	(219,535)	(49,403)	(363,618)
Premiums paid	(2,516,990)	-	(322,181)	(2,839,171)
Other receipts (payments)	-	-	288,415	288,415
Net cash provided (used) by operating activities	(113,710)	(36,862)	(83,169)	(233,741)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subsidy from state grant	-	-	682	682
Transfer from other funds	-	9,489	-	9,489
Net cash provided (used) by noncapital financing activities	-	9,489	682	10,171
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	-	-	1,118	1,118
Net cash provided by investing activities	-	-	1,118	1,118
Net increase (decrease) in cash and cash equivalents	(113,710)	(27,373)	(81,369)	(222,452)
Cash and cash equivalents - beginning of year	2,410,818	27,373	187,342	2,625,533
Cash and cash equivalents - end of year	\$ 2,297,108	\$ -	\$ 105,973	\$ 2,403,081
Cash and cash equivalents at end of year is comprised of the following:				
Cash	1,024,096	-	34,441	1,058,537
Cash equivalents - Investments	1,273,012	-	71,532	1,344,544
Total	\$ 2,297,108	\$ -	\$ 105,973	\$ 2,403,081
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	(148,999)	(32,905)	(81,524)	(263,428)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	4,172	-	4,172
(Increase) decrease in accounts receivable	819	(2,284)	-	(1,465)
(Increase) decrease in inventory	-	8,051	-	8,051
Increase (decrease) in accounts payable	47,679	(13,240)	-	34,439
Increase (decrease) in accrued payroll	(4,523)	(4,003)	(2,304)	(10,830)
Increase (decrease) in accrued leave	(8,686)	3,347	659	(4,680)
Total adjustments	35,289	(3,957)	(1,645)	29,687
Net cash provided (used) by operating activities	\$ (113,710)	\$ (36,862)	\$ (83,169)	\$ (233,741)

Noncash investing, capital and financing activities:

There are no noncash activities to disclose.

FIDUCIARY FUNDS**AGENCY FUNDS**

Northern Shenandoah CSA Trust Fund - to account for state and local funds, including amounts from other participating localities, for providing shared early intervention services for eligible children.

Special Welfare Fund - to account for the receipt and payment of funds collected by the City on the behalf of certain social service clients.

Northwestern Regional Jail Authority Construction Fund – to account for bond proceeds for purposes of constructing a new regional jail.

Northwestern Regional Juvenile Detention Center Fund - to account for state grants, member locality contributions and reimbursements, and other revenues for the purpose of operating a joint juvenile detention center.

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CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2006

Exhibit 22

	Northern Shenandoah CSA Trust Fund	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS					
Cash	\$ 1,753	\$ 20,505	\$ -	\$ 150,138	\$ 172,396
Investments	3,642	-	15,194,407	311,828	15,509,877
Accounts receivable	-	-	-	16,248	16,248
Interest receivable	9	-	1,516	788	2,313
Due from other governments	5,747	-	-	-	5,747
Total assets	<u>\$ 11,151</u>	<u>\$ 20,505</u>	<u>\$ 15,195,923</u>	<u>\$ 479,002</u>	<u>\$ 15,706,581</u>
LIABILITIES					
Accounts payable	11,151	-	1,780,047	29,127	1,820,325
Accrued payroll	-	-	-	38,847	38,847
Retainage payable	-	-	207,083	-	207,083
Amounts held for social service clients	-	20,505	-	-	20,505
Amounts held for NRJA	-	-	13,208,793	-	13,208,793
Amounts held for NRJDC	-	-	-	411,028	411,028
Total liabilities	<u>\$ 11,151</u>	<u>\$ 20,505</u>	<u>\$ 15,195,923</u>	<u>\$ 479,002</u>	<u>\$ 15,706,581</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2006

Exhibit 23

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Northern Shenandoah CSA Trust Fund				
Assets:				
Cash	\$ 1,187	\$ 134,382	\$ 133,816	\$ 1,753
Investments	4,248	-	606	3,642
Interest receivable	12	-	3	9
Due from other governments	5,747	5,747	5,747	5,747
Total Assets	<u>\$ 11,194</u>	<u>\$ 140,129</u>	<u>\$ 140,172</u>	<u>\$ 11,151</u>
Liabilities:				
Accounts payable	11,151	11,151	11,151	11,151
Amounts held for social service clients	43	128,369	128,412	-
Total Liabilities	<u>\$ 11,194</u>	<u>\$ 139,520</u>	<u>\$ 139,563</u>	<u>\$ 11,151</u>
Special Welfare Fund				
Assets:				
Cash	13,078	110,879	103,452	20,505
Total Assets	<u>\$ 13,078</u>	<u>\$ 110,879</u>	<u>\$ 103,452</u>	<u>\$ 20,505</u>
Liabilities:				
Amounts held for social service clients	13,078	110,879	103,452	20,505
Total Liabilities	<u>\$ 13,078</u>	<u>\$ 110,879</u>	<u>\$ 103,452</u>	<u>\$ 20,505</u>
Northwestern Regional Jail Authority Construction Fund				
Assets:				
Investments	26,428,784	862,245	12,096,622	15,194,407
Interest receivable	-	1,516	-	1,516
Total Assets	<u>\$ 26,428,784</u>	<u>\$ 863,761</u>	<u>\$ 12,096,622</u>	<u>\$ 15,195,923</u>
Liabilities:				
Accounts payable	8,186	1,780,047	8,186	1,780,047
Retainage payable	-	207,083	-	207,083
Amounts held for NRJA	26,420,598	863,761	14,075,566	13,208,793
Total Liabilities	<u>\$ 26,428,784</u>	<u>\$ 2,850,891</u>	<u>\$ 14,083,752</u>	<u>\$ 15,195,923</u>
Northwestern Regional Juvenile Detention Center Fund				
Assets:				
Cash	61,703	2,280,435	2,192,000	150,138
Investments	220,770	91,058	-	311,828
Accounts receivable	166,078	16,248	166,078	16,248
Interest receivable	648	788	648	788
Total Assets	<u>\$ 449,199</u>	<u>\$ 2,388,529</u>	<u>\$ 2,358,726</u>	<u>\$ 479,002</u>
Liabilities:				
Accounts payable	22,608	29,127	22,608	29,127
Accrued payroll	85,315	38,847	85,315	38,847
Amounts held for NRJDC	341,276	2,280,607	2,210,855	411,028
Total Liabilities	<u>\$ 449,199</u>	<u>\$ 2,348,581</u>	<u>\$ 2,318,778</u>	<u>\$ 479,002</u>
Total All Agency Funds				
Assets:				
Cash	75,968	2,525,696	2,429,268	172,396
Investments	26,653,802	953,303	12,097,228	15,509,877
Accounts receivable	166,078	16,248	166,078	16,248
Interest receivable	660	2,304	651	2,313
Due from other governments	5,747	5,747	5,747	5,747
Total Assets	<u>\$ 26,902,255</u>	<u>\$ 3,503,298</u>	<u>\$ 14,698,972</u>	<u>\$ 15,706,581</u>
Liabilities:				
Accounts payable	41,945	1,820,325	41,945	1,820,325
Accrued payroll	85,315	38,847	85,315	38,847
Retainage payable	-	207,083	-	207,083
Amounts held for social service clients	13,121	239,248	231,864	20,505
Amounts held for NRJA	26,420,598	863,761	14,075,566	13,208,793
Amounts held for NRJDC	341,276	2,280,607	2,210,855	411,028
Total Liabilities	<u>\$ 26,902,255</u>	<u>\$ 5,449,871</u>	<u>\$ 16,645,545</u>	<u>\$ 15,706,581</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Operating Fund - to account for the operations and maintenance of the six city-owned schools. Financing is provided by state and federal funds, and by appropriations from the City's general revenues. State and federal education funds received may be used only for this purpose. Annual appropriations from general revenues were restricted by the Appropriations Resolution to education expenditures.

CAPITAL PROJECTS FUNDS

Capital Improvement Fund - School - created to account for unexpended school funds allowed by the Common Council to be carried over to future periods for school related capital projects.

School Construction Fund - to account for the financing and construction of school capital projects. Currently, financing is provided by bond proceeds. Expenditures are for the construction of school facilities.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Cafeteria Fund - to account for the operation and maintenance of the cafeterias of the six City-owned schools. Financing is provided primarily from charges for services and federal and state lunch subsidies. Such funds are limited by federal and state law to expenditures for cafeteria operations and maintenance.

Federal Grants Fund - to account for the proceeds from a 21st Century Community Learning Center federal grant and other federal grants. Such funds are limited to specified educational expenditures that are governed by the terms of the grant.

School Textbook Fund - to account for the purchase and sale of school textbooks. Financing is provided primarily by the transfer of funds from the School Fund and funds so received are limited by the School Board to expenditure only for school textbooks.

INTERNAL SERVICE FUNDS

School Insurance Fund - to account for the operation of a partially self-insured employee health insurance program. Receipts from the School Board and participating employees are used to pay claims and purchase insurance for excess claims.

School Consolidated Maintenance Fund - to account for the repairs and maintenance services provided by the School Maintenance Department. Costs are accumulated and reimbursed by the School Board.

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

Newton B. Shingleton, M. Louise Cooper, and School Scholarship Funds –to account for donations received for the purpose of funding scholarships.

AGENCY FUNDS

School Employee Benefits Fund - to account for funds withheld and payment of funds for payroll withholding taxes for all school employees.

CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
June 30, 2006

Exhibit 24

	School Operating Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 882,815	\$ -	\$ 710,526	\$ 1,593,341
Investments	1,832,419	16,273,704	1,475,620	19,581,743
Receivables (Net of allowance for uncollectibles):				
Accounts	87,549	-	20,548	108,097
Interest	4,633	-	3,732	8,365
Due from other funds	344,693	-	-	344,693
Due from other governments	714,717	-	530,230	1,244,947
Inventories	-	-	30,137	30,137
Total assets	<u>\$ 3,866,826</u>	<u>\$ 16,273,704</u>	<u>\$ 2,770,793</u>	<u>\$ 22,911,323</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	748,048	2,011,674	400,011	3,159,733
Accrued payroll	3,091,897	-	255,207	3,347,104
Retainage payable	-	1,037,511	-	1,037,511
Due to other funds	-	-	344,693	344,693
Due to primary government	-	4,757,798	-	4,757,798
Compensated absences	6,881	-	-	6,881
Total liabilities	<u>3,846,826</u>	<u>7,806,983</u>	<u>999,911</u>	<u>12,653,720</u>
Fund balances:				
Reserved for:				
Inventories	-	-	30,137	30,137
Unreserved, designated for:				
Capital campaign	20,000	-	-	20,000
Unreserved, undesignated reported in:				
Special revenue funds	-	-	638,692	638,692
Capital projects funds	-	8,466,721	1,102,053	9,568,774
Total fund balances	<u>20,000</u>	<u>8,466,721</u>	<u>1,770,882</u>	<u>10,257,603</u>
Total liabilities and fund balances	<u>\$ 3,866,826</u>	<u>\$ 16,273,704</u>	<u>\$ 2,770,793</u>	

Amounts reported for governmental activities in the statement of net
assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 70,638,641

Internal service funds are used by management to charge the costs of
maintenance and risk management, to individual funds. The assets
and liabilities of the internal service funds are included in governmental
activities in the statement of net assets. 1,196,749

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds. (563,553)

Net assets of governmental activities \$ 81,529,440

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

Exhibit 25

	School Operating Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Revenues from use of money and property	\$ 201,225	\$ 830,151	\$ 65,864	\$ 1,097,240
Charges for services	167,506	-	759,172	926,678
Miscellaneous	131,100	-	51,664	182,764
Recovered costs	22,448	-	48,977	71,425
Intergovernmental revenues:				
Local	23,481,698	33,151,151	-	56,632,849
Commonwealth	13,972,313	-	22,924	13,995,237
Federal	53,070	-	2,966,120	3,019,190
Total revenues	<u>38,029,360</u>	<u>33,981,302</u>	<u>3,914,721</u>	<u>75,925,383</u>
EXPENDITURES				
Current:				
Education	37,056,545	-	5,039,295	42,095,840
Capital projects	-	27,702,234	511,203	28,213,437
Total expenditures	<u>37,056,545</u>	<u>27,702,234</u>	<u>5,550,498</u>	<u>70,309,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>972,815</u>	<u>6,279,068</u>	<u>(1,635,777)</u>	<u>5,616,106</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	952,815	952,815
Transfers out	(952,815)	-	-	(952,815)
Total other financing sources (uses)	<u>(952,815)</u>	<u>-</u>	<u>952,815</u>	<u>-</u>
Net change in fund balances	20,000	6,279,068	(682,962)	5,616,106
Fund balances - beginning	-	2,187,653	2,453,844	
Fund balances - ending	<u>\$ 20,000</u>	<u>\$ 8,466,721</u>	<u>\$ 1,770,882</u>	

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (28,798,550) exceeded depreciation (728,203) in the current period.	28,070,347
In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the <i>cost</i> of the property sold.	(26,299)
Internal service funds are used by management to charge the costs of maintenance and risk management, to individual funds. The net revenue (expense) of these internal service funds is reported with governmental activities.	182,263
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>38,977</u>
Change in net assets of governmental activities	<u>\$ 33,881,394</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PROPRIETARY FUNDS
June 30, 2006

Exhibit 26

	Governmental Activities- Internal Service Funds
<hr/>	
ASSETS	
Current assets:	
Cash	\$ 434,347
Investments	902,116
Receivables (net of allowance for uncollectibles:	
Accounts	6,788
Interest	2,281
Total current assets	<u>1,345,532</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	234,578
Less accumulated depreciation	<u>(159,752)</u>
Total capital assets (net of accumulated depreciation)	<u>74,826</u>
Total noncurrent assets	<u>74,826</u>
Total assets	<u>1,420,358</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>223,609</u>
Total liabilities	<u>223,609</u>
NET ASSETS	
Invested in capital assets	74,826
Unrestricted	<u>1,121,923</u>
Total net assets	<u>\$ 1,196,749</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

Exhibit 27

	Governmental Activities- Internal Service Funds
<hr/>	
OPERATING REVENUES	
Charges for services	\$ 4,131,181
Total operating revenues	<u>4,131,181</u>
OPERATING EXPENSES	
Personal services	560,742
Contractual services	173,346
Other supplies and expenses	151,453
Insurance claims and expenses	3,085,497
Depreciation	<u>13,139</u>
Total operating expenses	<u>3,984,177</u>
Operating income (loss)	<u>147,004</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>35,259</u>
Total nonoperating revenues (expenses)	<u>35,259</u>
Change in net assets	182,263
Total net assets - beginning	<u>1,014,486</u>
Total net assets - ending	<u>\$ 1,196,749</u>

CITY OF WINCHESTER, VIRGINIA
 STATEMENT OF CASH FLOWS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2006

Exhibit 28

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal services provided	\$ 4,126,934
Cash paid to suppliers	(329,833)
Cash paid to employees	(560,742)
Premiums paid	(3,182,633)
Net cash provided (used) by operating activities	53,726
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	35,837
Net cash provided by investing activities	35,837
Net increase (decrease) in cash and cash equivalents	89,563
Cash and cash equivalents - beginning of year	1,246,900
Cash and cash equivalents - end of year	\$ 1,336,463
Cash and cash equivalents at end of year is comprised of the following:	
Cash	434,347
Cash equivalents - Investments	902,116
Total	\$ 1,336,463
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	147,004
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	13,139
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(4,247)
Increase (decrease) in accounts payable	(102,170)
Total adjustments	(93,278)
Net cash provided (used) by operating activities	\$ 53,726

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

CITY OF WINCHESTER, VIRGINIA
 STATEMENT OF FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FIDUCIARY FUNDS
 June 30, 2006

Exhibit 29

	Private- Purpose Trust Funds	Employee Benefits Agency Fund
ASSETS		
Cash	\$ 83,683	\$ 140,515
Investments	398,358	189,089
Interest receivable	-	478
Accounts receivable	-	6,692
Total assets	<u>482,041</u>	<u>\$ 336,774</u>
LIABILITIES		
Accounts payable	-	336,774
Total liabilities	<u>-</u>	<u>\$ 336,774</u>
NET ASSETS		
Held in trust for scholarships	<u>\$ 482,041</u>	

CITY OF WINCHESTER, VIRGINIA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2006

	Exhibit 30
	Private- Purpose Trust Funds
ADDITIONS	
Gifts and contributions	\$ 45,086
Investment earnings:	
Interest	8,514
Dividends	15,083
Net increase (decrease) in the fair value of investments	<u>(8,042)</u>
Total additions	<u>60,641</u>
DEDUCTIONS	
Administrative expenses	4,495
Scholarships awarded	<u>82,697</u>
Total deductions	<u>87,192</u>
Change in net assets	(26,551)
Net assets - beginning	<u>508,592</u>
Net assets - ending	<u>\$ 482,041</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
For the Year Ended June 30, 2006

Exhibit 31

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 140,000	\$ 140,000	\$ 201,225	\$ 61,225
Charges for services	184,000	184,000	167,506	(16,494)
Miscellaneous	126,000	126,000	131,100	5,100
Recovered costs	-	-	22,448	22,448
Intergovernmental:				
Local government	23,190,800	23,472,800	23,481,698	8,898
Commonwealth	13,799,093	14,130,520	13,972,313	(158,207)
Federal	-	-	53,070	53,070
Total revenues	<u>37,439,893</u>	<u>38,053,320</u>	<u>38,029,360</u>	<u>(23,960)</u>
EXPENDITURES				
Current:				
Education	<u>37,284,893</u>	<u>37,603,320</u>	<u>37,056,545</u>	<u>546,775</u>
Total expenditures	<u>37,284,893</u>	<u>37,603,320</u>	<u>37,056,545</u>	<u>546,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,000</u>	<u>450,000</u>	<u>972,815</u>	<u>522,815</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(155,000)</u>	<u>(450,000)</u>	<u>(952,815)</u>	<u>(502,815)</u>
Total other financing sources (uses)	<u>(155,000)</u>	<u>(450,000)</u>	<u>(952,815)</u>	<u>(502,815)</u>
Net change in fund balances	-	-	20,000	20,000
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 20,000	\$ 20,000

CITY OF WINCHESTER, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2006

Exhibit 32

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	School Cafeteria Fund	Federal Grants Fund	School Textbook Fund	Total	School Capital Improvements Fund	
ASSETS						
Cash	\$ 123,287	\$ -	\$ 133,847	\$ 257,134	\$ 453,392	\$ 710,526
Investments	255,957	-	277,992	533,949	941,671	1,475,620
Interest receivable	647	-	703	1,350	2,382	3,732
Accounts receivable	-	-	-	-	20,548	20,548
Due from other governmental units	-	530,230	-	530,230	-	530,230
Inventory	30,137	-	-	30,137	-	30,137
Total assets	\$ 410,028	\$ 530,230	\$ 412,542	\$ 1,352,800	\$ 1,417,993	\$ 2,770,793
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	1,100	9,952	73,019	84,071	315,940	400,011
Accrued payroll	79,622	175,585	-	255,207	-	255,207
Due to other funds	-	344,693	-	344,693	-	344,693
Total liabilities	80,722	530,230	73,019	683,971	315,940	999,911
Fund balances:						
Reserved for:						
Inventories	30,137	-	-	30,137	-	30,137
Unreserved	299,169	-	339,523	638,692	1,102,053	1,740,745
Total fund balances	329,306	-	339,523	668,829	1,102,053	1,770,882
Total liabilities and fund balances	\$ 410,028	\$ 530,230	\$ 412,542	\$ 1,352,800	\$ 1,417,993	\$ 2,770,793

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR FUNDS
For the Year Ended June 30, 2006

Exhibit 33

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	School Cafeteria Fund	Federal Grants Fund	School Textbook Fund	Total	School Capital Improvements Fund	
REVENUES						
Revenues from use of money and property	\$ 8,084	\$ -	\$ 5,626	\$ 13,710	\$ 52,154	\$ 65,864
Charges for services	759,172	-	-	759,172	-	759,172
Miscellaneous	8,439	-	-	8,439	43,225	51,664
Recovered costs	-	-	-	-	48,977	48,977
Intergovernmental revenues:						
Commonwealth	22,924	-	-	22,924	-	22,924
Federal	718,716	2,247,404	-	2,966,120	-	2,966,120
Total revenues	<u>1,517,335</u>	<u>2,247,404</u>	<u>5,626</u>	<u>3,770,365</u>	<u>144,356</u>	<u>3,914,721</u>
EXPENDITURES						
Current:						
Education	1,443,545	2,247,404	465,614	4,156,563	882,732	5,039,295
Capital projects	-	-	-	-	511,203	511,203
Total expenditures	<u>1,443,545</u>	<u>2,247,404</u>	<u>465,614</u>	<u>4,156,563</u>	<u>1,393,935</u>	<u>5,550,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>73,790</u>	<u>-</u>	<u>(459,988)</u>	<u>(386,198)</u>	<u>(1,249,579)</u>	<u>(1,635,777)</u>
OTHER FINANCING SOURCES (USES)						
Sale of property and equipment	-	-	-	-	-	-
Transfers in	-	-	450,000	450,000	502,815	952,815
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>450,000</u>	<u>502,815</u>	<u>952,815</u>
Net change in fund balances	73,790	-	(9,988)	63,802	(746,764)	(682,962)
Fund balances - beginning	<u>255,516</u>	<u>-</u>	<u>349,511</u>	<u>605,027</u>	<u>1,848,817</u>	<u>2,453,844</u>
Fund balances - ending	<u>\$ 329,306</u>	<u>\$ -</u>	<u>\$ 339,523</u>	<u>\$ 668,829</u>	<u>\$ 1,102,053</u>	<u>\$ 1,770,882</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2006

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 2,000	\$ 2,000	\$ 8,084	\$ 6,084
Charges for services	735,807	755,807	759,172	3,365
Miscellaneous	9,000	9,000	8,439	(561)
Intergovernmental:				
Commonwealth	26,278	26,278	22,924	(3,354)
Federal	595,000	675,000	718,716	43,716
Total revenues	<u>1,368,085</u>	<u>1,468,085</u>	<u>1,517,335</u>	<u>49,250</u>
EXPENDITURES				
Current:				
Education	<u>1,388,085</u>	<u>1,523,085</u>	<u>1,443,545</u>	<u>79,540</u>
Total expenditures	<u>1,388,085</u>	<u>1,523,085</u>	<u>1,443,545</u>	<u>79,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(55,000)</u>	<u>73,790</u>	<u>128,790</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(20,000)	(55,000)	73,790	128,790
Fund balance - beginning	<u>20,000</u>	<u>55,000</u>	<u>255,516</u>	<u>200,516</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,306</u>	<u>\$ 329,306</u>

Exhibit 34

Federal Grants Fund				School Textbook Fund			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,626	\$ 5,626
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,170,614	2,903,334	2,247,404	(655,930)	-	-	-	-
2,170,614	2,903,334	2,247,404	(655,930)	-	-	5,626	5,626
2,170,614	2,903,334	2,247,404	655,930	405,000	504,512	465,614	38,898
2,170,614	2,903,334	2,247,404	655,930	405,000	504,512	465,614	38,898
-	-	-	-	(405,000)	(504,512)	(459,988)	44,524
-	-	-	-	155,000	155,000	450,000	295,000
-	-	-	-	155,000	155,000	450,000	295,000
-	-	-	-	(250,000)	(349,512)	(9,988)	339,524
-	-	-	-	250,000	349,512	349,511	(1)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,523	\$ 339,523

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2006

	School Capital Improvements Fund			Variance with
	Budgeted Amounts			Final Budget -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 52,154	\$ 52,154
Miscellaneous	-	-	43,225	43,225
Recovered costs	-	-	48,977	48,977
Intergovernmental:				
Local government	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>144,356</u>	<u>144,356</u>
EXPENDITURES				
Current:				
Education	222,643	1,841,342	882,732	958,610
Capital projects	<u>-</u>	<u>-</u>	<u>511,203</u>	<u>(511,203)</u>
Total expenditures	<u>222,643</u>	<u>1,841,342</u>	<u>1,393,935</u>	<u>447,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(222,643)</u>	<u>(1,841,342)</u>	<u>(1,249,579)</u>	<u>591,763</u>
OTHER FINANCING SOURCES (USES)				
Sale of property and equipment	222,643	222,643	-	(222,643)
Transfers in	<u>-</u>	<u>-</u>	<u>502,815</u>	<u>502,815</u>
Total other financing sources (uses)	<u>222,643</u>	<u>222,643</u>	<u>502,815</u>	<u>280,172</u>
Net change in fund balances	-	(1,618,699)	(746,764)	871,935
Fund balance - beginning	<u>-</u>	<u>1,618,699</u>	<u>1,848,817</u>	<u>230,118</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,102,053</u>	<u>\$ 1,102,053</u>

Exhibit 35

School Construction Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual	
\$ -	\$ -	\$ 830,151	\$ 830,151
-	-	-	-
-	-	-	-
-	33,151,152	33,151,151	(1)
-	33,151,152	33,981,302	830,150
-	-	-	-
-	35,338,805	27,702,234	7,636,571
-	35,338,805	27,702,234	7,636,571
-	(2,187,653)	6,279,068	8,466,721
-	-	-	-
-	-	-	-
-	-	-	-
-	(2,187,653)	6,279,068	8,466,721
-	2,187,653	2,187,653	-
\$ -	\$ -	\$ 8,466,721	\$ 8,466,721

CITY OF WINCHESTER, VIRGINIA
 COMBINING STATEMENT OF NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 INTERNAL SERVICE FUNDS
 June 30, 2006

Exhibit 36

	School Insurance Fund	School Consolidated Maintenance Fund	Total
ASSETS			
Current assets:			
Cash	\$ 395,546	\$ 38,801	\$ 434,347
Investments	821,529	80,587	902,116
Receivables (net of allowance for uncollectibles:			
Accounts	6,788	-	6,788
Interest	2,077	204	2,281
Total current assets	<u>1,225,940</u>	<u>119,592</u>	<u>1,345,532</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	234,578	234,578
Less accumulated depreciation	-	(159,752)	(159,752)
Total capital assets (net of accumulated depreciation)	-	74,826	74,826
Total noncurrent assets	-	74,826	74,826
Total assets	<u>1,225,940</u>	<u>194,418</u>	<u>1,420,358</u>
LIABILITIES			
Current liabilities:			
Accounts payable	161,868	61,741	223,609
Total liabilities	<u>161,868</u>	<u>61,741</u>	<u>223,609</u>
NET ASSETS			
Invested in capital assets	-	74,826	74,826
Unrestricted	1,064,072	57,851	1,121,923
Total net assets	<u>\$ 1,064,072</u>	<u>\$ 132,677</u>	<u>\$ 1,196,749</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2006

Exhibit 37

	School Insurance Fund	School Consolidated Maintenance Fund	Total
OPERATING REVENUES			
Charges for services	\$ 3,244,875	\$ 886,306	\$ 4,131,181
Total operating revenues	<u>3,244,875</u>	<u>886,306</u>	<u>4,131,181</u>
OPERATING EXPENSES			
Personal services	-	560,742	560,742
Contractual services	-	173,346	173,346
Other supplies and expenses	-	151,453	151,453
Insurance claims and expenses	3,085,497	-	3,085,497
Depreciation	-	13,139	13,139
Total operating expenses	<u>3,085,497</u>	<u>898,680</u>	<u>3,984,177</u>
Operating income (loss)	<u>159,378</u>	<u>(12,374)</u>	<u>147,004</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	<u>34,009</u>	<u>1,250</u>	<u>35,259</u>
Total nonoperating revenues (expenses)	<u>34,009</u>	<u>1,250</u>	<u>35,259</u>
Change in net assets	193,387	(11,124)	182,263
Total net assets - beginning	<u>870,685</u>	<u>143,801</u>	<u>1,014,486</u>
Total net assets - ending	<u>\$ 1,064,072</u>	<u>\$ 132,677</u>	<u>\$ 1,196,749</u>

CITY OF WINCHESTER, VIRGINIA
 COMBINING STATEMENT OF CASH FLOWS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 INTERNAL SERVICE FUNDS
 For the Year Ended June 30, 2006

Exhibit 38

	School Insurance Fund	School Consolidated Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal services provided	\$ 3,240,378	\$ 886,556	\$ 4,126,934
Cash paid to suppliers	-	(329,833)	(329,833)
Cash paid to employees	-	(560,742)	(560,742)
Premiums paid	(3,182,633)	-	(3,182,633)
Net cash provided (used) by operating activities	57,745	(4,019)	53,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	34,511	1,326	35,837
Net cash provided by investing activities	34,511	1,326	35,837
Net increase (decrease) in cash and cash equivalents	92,256	(2,693)	89,563
Cash and cash equivalents - beginning of year	1,124,819	122,081	1,246,900
Cash and cash equivalents - end of year	\$ 1,217,075	\$ 119,388	\$ 1,336,463
Cash and cash equivalents at end of year is comprised of the following:			
Cash	395,546	38,801	434,347
Cash equivalents - Investments	821,529	80,587	902,116
Total	\$ 1,217,075	\$ 119,388	\$ 1,336,463
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	159,378	(12,374)	147,004
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	13,139	13,139
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(4,497)	250	(4,247)
Increase (decrease) in accounts payable	(97,136)	(5,034)	(102,170)
Total adjustments	(101,633)	8,355	(93,278)
Net cash provided (used) by operating activities	\$ 57,745	\$ (4,019)	\$ 53,726

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

CITY OF WINCHESTER, VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 PRIVATE-PURPOSE TRUST FUNDS
 June 30, 2006

Exhibit 39

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ASSETS				
Cash	\$ 14,463	\$ 1,470	\$ 67,750	\$ 83,683
Investments	334,693	63,665	-	398,358
Total assets	<u>\$ 349,156</u>	<u>\$ 65,135</u>	<u>\$ 67,750</u>	<u>\$ 482,041</u>
NET ASSETS				
Held in trust for scholarships	<u>\$ 349,156</u>	<u>\$ 65,135</u>	<u>\$ 67,750</u>	<u>\$ 482,041</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2006

Exhibit 40

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	\$ 9,499	\$ -	\$ 35,587	\$ 45,086
Investment earnings:				
Interest	6,742	-	1,772	8,514
Dividends	13,472	1,611	-	15,083
Net increase (decrease) in fair value of investments	(9,804)	1,762	-	(8,042)
Total additions	<u>19,909</u>	<u>3,373</u>	<u>37,359</u>	<u>60,641</u>
DEDUCTIONS				
Administrative expenses	4,495	-	-	4,495
Scholarships awarded	<u>21,479</u>	<u>7,693</u>	<u>53,525</u>	<u>82,697</u>
Total deductions	<u>25,974</u>	<u>7,693</u>	<u>53,525</u>	<u>87,192</u>
Change in net assets	(6,065)	(4,320)	(16,166)	(26,551)
Net assets - beginning	<u>355,221</u>	<u>69,455</u>	<u>83,916</u>	<u>508,592</u>
Net assets - ending	<u>\$ 349,156</u>	<u>\$ 65,135</u>	<u>\$ 67,750</u>	<u>\$ 482,041</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
For the Year Ended June 30, 2006

Exhibit 41

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
School Employee Benefits Fund				
Assets:				
Cash	\$ 117,709	\$ 12,174,011	\$ 12,151,205	\$ 140,515
Investments	207,553	-	18,464	189,089
Interest receivable	609	478	609	478
Accounts receivable	-	6,692	-	6,692
Total Assets	<u>\$ 325,871</u>	<u>\$ 12,181,181</u>	<u>\$ 12,170,278</u>	<u>\$ 336,774</u>
Liabilities:				
Accounts payable	<u>\$ 325,871</u>	<u>\$ 12,181,181</u>	<u>\$ 12,170,278</u>	<u>\$ 336,774</u>
Total Liabilities	<u>\$ 325,871</u>	<u>\$ 12,181,181</u>	<u>\$ 12,170,278</u>	<u>\$ 336,774</u>

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DISCRETELY PRESENTED COMPONENT UNIT - PARKING AUTHORITY**SPECIAL REVENUE FUNDS**

Parking Authority Fund - to account for the provision of parking facilities to City residents and visitors through City-owned parking lots and garages and metered on-street parking. All activities necessary to provide such services are included in the fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

**CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
June 30, 2006**

	Exhibit 42
	Parking Authority Fund
ASSETS	
Cash	\$ 225,348
Investments	467,339
Interest receivable	<u>1,182</u>
Total assets	<u>\$ 693,869</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	4,038
Accrued payroll	<u>8,079</u>
Total liabilities	<u>12,117</u>
Fund balances:	
Unreserved:	
Undesignated	<u>681,752</u>
Total fund balances	<u>681,752</u>
Total liabilities and fund balances	<u>\$ 693,869</u>
Total fund balances - governmental funds - per above	\$ 681,752
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
	1,083,755
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
	<u>(42,652)</u>
Net assets of governmental activities	<u>\$ 1,722,855</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER PARKING AUTHORITY
For the Year Ended June 30, 2006

	Exhibit 43
	Parking Authority Fund
REVENUES	
Other local taxes	\$ 12,500
Fines & forfeitures	159,626
Revenues from use of money and property	19,056
Charges for services	477,923
Miscellaneous	326
Total revenues	<u>669,431</u>
EXPENDITURES	
Public works	<u>540,228</u>
Total expenditures	<u>540,228</u>
Excess (deficiency) of revenues over (under) expenditures	129,203
Fund balance - beginning	<u>552,549</u>
Fund balance - ending	<u>\$ 681,752</u>
Net change in fund balances - total governmental funds - per above	\$ 129,203
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (45,757) exceeded capital outlay (15,890) in the current period.	(29,867)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>437</u>
Change in net assets of governmental activities	<u>\$ 99,773</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER PARKING AUTHORITY
For the Year Ended June 30, 2006

Exhibit 44

	Parking Authority Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Other local taxes	\$ 12,500	\$ 12,500	\$ 12,500	\$ -
Fines & forfeitures	140,000	140,000	159,626	19,626
Revenues from use of money and property	6,000	6,000	19,056	13,056
Charges for services	391,500	391,500	477,923	86,423
Miscellaneous	-	-	326	326
Total revenues	<u>550,000</u>	<u>550,000</u>	<u>669,431</u>	<u>119,431</u>
EXPENDITURES				
Public works	<u>550,000</u>	<u>598,761</u>	<u>540,228</u>	<u>58,533</u>
Total expenditures	<u>550,000</u>	<u>598,761</u>	<u>540,228</u>	<u>58,533</u>
Excess (deficiency) of revenues over (under) expenditures	-	(48,761)	129,203	177,964
Fund balance - beginning	<u>-</u>	<u>48,761</u>	<u>552,549</u>	<u>503,788</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 681,752</u>	<u>\$ 681,752</u>

**CAPITAL ASSETS – USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

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CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
June 30, 2006

Exhibit 45

Function and Activity	Total	Land	Construction in Progress	Buildings	Improvements Other than Buildings	Infrastructure	Machinery and Equipment
PRIMARY GOVERNMENT:							
General Government							
Finance and Administration	\$ 156,736	\$ -	\$ -	\$ -	\$ -	-	\$ 156,736
Information Technology	684,726	-	-	-	-	-	684,726
Other - Unclassified	1,274,842	10,590	-	406,147	486,415	-	371,690
Total General Government	<u>\$ 2,116,304</u>	<u>\$ 10,590</u>	<u>\$ -</u>	<u>\$ 406,147</u>	<u>\$ 486,415</u>	<u>\$ -</u>	<u>\$ 1,213,152</u>
Judicial Administration	\$ 4,585,539	\$ -	\$ -	\$ 3,870,066	\$ 499,739	\$ -	\$ 215,734
Public Safety							
Law Enforcement and							
Traffic Control	\$ 1,803,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,803,650
Fire and Rescue Services	826,279	-	25,277	-	-	-	801,002
Inspection	84,755	-	-	-	-	-	84,755
Other - Unclassified	7,679,034	1,096,484	-	6,264,967	165,200	-	152,383
Total Public Safety	<u>\$ 10,393,718</u>	<u>\$ 1,096,484</u>	<u>\$ 25,277</u>	<u>\$ 6,264,967</u>	<u>\$ 165,200</u>	<u>\$ -</u>	<u>\$ 2,841,790</u>
Public Works							
Maintenance of Highways, Streets, Bridges and Sidewalks	1,528,951	\$ -	\$ 129,559	\$ -	\$ -	\$ -	\$ 1,399,392
Sanitation and Waste Removal	846,884	-	-	-	-	-	846,884
Maintenance of Buildings & Grounds	739,687	-	688,626	-	-	-	51,061
Other - Unclassified	40,910,150	63,120	4,974,657	4,906,612	204,536	30,696,010	65,215
Total Public Works	<u>\$ 44,025,672</u>	<u>\$ 63,120</u>	<u>\$ 5,792,842</u>	<u>\$ 4,906,612</u>	<u>\$ 204,536</u>	<u>\$ 30,696,010</u>	<u>\$ 2,362,552</u>
Other Departments							
Parks, Recreation and Cultural	\$ 8,968,894	\$ 1,854,355	\$ 61,859	\$ 2,625,497	\$ 3,665,106	\$ -	\$ 762,077
Health and Welfare	275,008	33,270	-	72,252	-	-	169,486
Community Development	26,433	-	-	-	-	-	26,433
Total Other Departments	<u>\$ 9,270,335</u>	<u>\$ 1,887,625</u>	<u>\$ 61,859</u>	<u>\$ 2,697,749</u>	<u>\$ 3,665,106</u>	<u>\$ -</u>	<u>\$ 957,996</u>
Total Primary Government	<u>\$ 70,391,568</u>	<u>\$ 3,057,819</u>	<u>\$ 5,879,978</u>	<u>\$ 18,145,541</u>	<u>\$ 5,020,996</u>	<u>\$ 30,696,010</u>	<u>\$ 7,591,224</u>
COMPONENT UNIT SCHOOL BOARD:							
Schools:							
Education	\$ 84,171,962	\$ 2,307,970	\$ 52,306,211	\$ 23,472,857	\$ 1,883,695	\$ -	\$ 4,201,229
COMPONENT UNIT PARKING AUTHORITY:							
Public Works:							
Parking Authority	\$ 2,013,450	\$ 11,685	\$ -	\$ 1,792,495	\$ 56,179	\$ -	\$ 153,091

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
For the Year Ended June 30, 2006

Exhibit 46

Function and Activity	Governmental Funds Capital Assets July 1, 2005	Additions	Deductions	Governmental Funds Capital Assets June 30, 2006
<u>PRIMARY GOVERNMENT:</u>				
General Government				
Finance and Administration	\$ 156,736	\$ -	\$ -	\$ 156,736
Information Technology	679,696	5,030	-	684,726
Other - Unclassified	903,152	371,690	-	1,274,842
Judicial Administration				
Judicial Administration	4,589,884	17,685	22,030	4,585,539
Public Safety				
Law Enforcement and				
Traffic Control	1,224,802	604,922	26,074	1,803,650
Fire and Rescue Services	702,686	123,593	-	826,279
Inspection	84,755	-	-	84,755
Other - Unclassified	7,630,380	48,654	-	7,679,034
Public Works				
Maintenance of Highways, Streets,				
Bridges and Sidewalks	1,399,392	129,559	-	1,528,951
Sanitation and Waste Removal	717,667	129,217	-	846,884
Maintenance of Buildings and				
Grounds	144,980	594,707	-	739,687
Other - Unclassified	37,391,921	3,518,229	-	40,910,150
Health and Welfare	262,468	12,540	-	275,008
Parks, Recreational and				
Cultural	8,703,453	694,262	428,821	8,968,894
Community Development	361,445	36,678	371,690	26,433
Total Primary Government	\$ 64,953,417	\$ 6,286,766	\$ 848,615	\$ 70,391,568
<u>COMPONENT UNIT SCHOOL BOARD:</u>				
Schools:				
Education	\$ 55,606,540	\$ 28,798,550	\$ 233,128	\$ 84,171,962
<u>COMPONENT UNIT PARKING AUTHORITY:</u>				
Public Works:				
Parking Authority	\$ 1,997,560	\$ 15,890	\$ -	\$ 2,013,450

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

SUPPLEMENTAL DATA

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 1

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Primary Government:				
General Fund:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 15,619,000	\$ 15,619,000	\$ 16,669,206	\$ 1,050,206
Public services corporation taxes:				
Real and personal	346,000	346,000	406,636	60,636
Personal property taxes	5,920,000	5,920,000	6,163,285	243,285
Mobile home taxes	1,000	1,000	1,396	396
Machinery and tools taxes	1,430,000	1,430,000	1,576,978	146,978
Penalties	132,000	132,000	174,545	42,545
Interest	71,000	71,000	49,149	(21,851)
Total General Property Taxes	<u>23,519,000</u>	<u>23,519,000</u>	<u>25,041,195</u>	<u>1,522,195</u>
Other Local Taxes:				
Local sales and use taxes	11,000,000	11,000,000	10,894,693	(105,307)
Consumers' utility taxes	3,325,000	3,325,000	3,433,690	108,690
Business license taxes	5,115,000	5,705,000	5,983,072	278,072
Franchise license taxes	440,000	440,000	543,864	103,864
Motor vehicle licenses	495,000	495,000	496,649	1,649
Bank franchise taxes	600,000	600,000	655,571	55,571
Taxes on recordation and wills	240,000	240,000	599,820	359,820
Transient occupancy tax	525,000	525,000	604,230	79,230
Tobacco tax	300,000	300,000	282,023	(17,977)
Admissions tax	120,000	120,000	109,109	(10,891)
Restaurant/meal tax	4,510,000	4,510,000	4,994,047	484,047
Short-term rental tax	30,000	30,000	39,354	9,354
Total Other Local Taxes	<u>26,700,000</u>	<u>27,290,000</u>	<u>28,636,122</u>	<u>1,346,122</u>
Permits, Privilege Fees and Regulatory Licenses:				
Animal licenses	4,000	4,000	3,198	(802)
Other permits and fees	406,500	426,500	616,448	189,948
Total Permits, Privilege Fees, and Regulatory Licenses	<u>410,500</u>	<u>430,500</u>	<u>619,646</u>	<u>189,146</u>
Fines and Forfeitures:				
Court fines and forfeitures	200,000	200,000	221,123	21,123
Revenue from Use of Money and Property:				
Revenue from use of money	125,500	125,500	624,231	498,731
Revenue from use of property	23,000	23,000	22,311	(689)
Total Revenue from Use of Money and Property	<u>148,500</u>	<u>148,500</u>	<u>646,542</u>	<u>498,042</u>
Charges for Services:				
Sheriff's fees	3,000	3,000	2,949	(51)
Assessment fees - court	30,000	30,000	30,186	186
Courthouse security fees	21,000	21,000	40,254	19,254
Commonwealth attorney	2,000	2,000	3,183	1,183
Animal impounding fees	3,000	3,000	2,160	(840)
Gas inspection fees	30,000	30,000	58,500	28,500
Swimming pool fees - outdoor	73,000	73,000	83,721	10,721
Swimming pool fees - indoor	72,000	72,000	76,510	4,510
Recycle material	30,000	30,000	36,925	6,925
Charges for law enforcement and traffic control	41,000	41,000	46,426	5,426
Recreation fees	225,000	225,000	222,292	(2,708)
School age child care	195,000	195,000	209,128	14,128
Total Charges for Services	<u>725,000</u>	<u>725,000</u>	<u>812,234</u>	<u>87,234</u>
Miscellaneous Revenue:				
Miscellaneous	76,000	127,500	138,971	11,471
Donations	2,000	7,800	47,272	39,472
Total Miscellaneous Revenue	<u>78,000</u>	<u>135,300</u>	<u>186,243</u>	<u>50,943</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government: (cont'd)				
General Fund: (cont'd)				
Revenue from Local Sources: (cont'd)				
Recovered Costs:				
Joint judicial center - Frederick Co.	\$ 463,000	\$ 463,000	\$ 314,322	\$ (148,678)
Other recovered costs	337,000	337,000	381,838	44,838
Total Recovered Costs	800,000	800,000	696,160	(103,840)
Total Revenue from Local Sources	52,581,000	53,248,300	56,859,265	3,610,965
Revenue from the Commonwealth:				
Non-Categorical Aid:				
ABC profits	30,000	30,000	13,826	(16,174)
Wine taxes	27,000	27,000	14,493	(12,507)
Motor vehicle carriers tax	6,000	6,000	5,731	(269)
Mobile home titling taxes	2,000	2,000	807	(1,193)
Auto rental tax	150,000	150,000	186,147	36,147
Grantor's tax	70,000	70,000	155,313	85,313
Personal property tax reimbursement	2,300,000	2,300,000	2,605,297	305,297
Assistance to localities with police departments	840,000	840,000	857,820	17,820
Recordation tax	100,000	100,000	120,095	20,095
Total Non-Categorical Aid	3,525,000	3,525,000	3,959,529	434,529
Categorical Aid:				
Shared Expenses:				
Commonwealth's attorney	408,000	408,000	420,091	12,091
Sheriff	304,000	316,000	336,952	20,952
Commissioner of the Revenue	100,000	100,000	106,504	6,504
Treasurer	100,000	100,000	110,967	10,967
Medical examiner	-	-	494	494
Registrar/electoral board	38,000	38,000	50,055	12,055
Clerk of the Circuit Court	240,000	263,000	359,301	96,301
Total Shared Expenses	1,190,000	1,225,000	1,384,364	159,364
Other Categorical Aid:				
Armory operation	9,000	9,000	7,213	(1,787)
Jury reimbursement	10,000	10,000	16,170	6,170
General District Court	6,000	6,000	6,584	584
Litter control	5,000	5,000	6,595	1,595
Fire services grant	32,000	42,320	53,434	11,114
Arts	5,000	5,000	5,000	-
Street debt service reimbursement	110,000	110,000	494,302	384,302
Two for life grant	10,000	18,540	18,072	(468)
Hazardous materials	24,000	24,000	28,884	4,884
Juvenile & Domestic relations	6,000	6,000	6,143	143
Health department	12,000	12,000	12,000	-
Miscellaneous state funds	-	7,500	10,868	3,368
Total Other Categorical Aid	229,000	255,360	665,265	409,905
Total Categorical Aid	1,419,000	1,480,360	2,049,629	569,269
Total Revenue from the Commonwealth	4,944,000	5,005,360	6,009,158	1,003,798
Revenue from the Federal Government:				
Categorical Aid:				
Emergency services	-	2,445	8,905	6,460
B&O Railroad rehab funding	-	-	125,179	125,179
Conservation grant	-	-	1,500	1,500
Total Revenue from the Federal Government	-	2,445	135,584	133,139
Total General Fund	\$ 57,525,000	\$ 58,256,105	\$ 63,004,007	\$ 4,747,902

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government: (cont'd)				
Special Revenue Funds:				
Social Service Fund:				
Revenue from Local Sources:				
Miscellaneous	\$ -	\$ -	\$ 120	\$ 120
Total Revenue from Local Sources	-	-	120	120
Revenue from the Commonwealth:				
Other Categorical Aid:				
Public assistance & welfare administration	1,209,100	1,209,100	1,012,578	(196,522)
Revenue from the Federal Government:				
Other Categorical Aid:				
Public assistance & welfare administration	1,873,900	1,873,900	1,643,656	(230,244)
Total Social Service Fund	\$ 3,083,000	\$ 3,083,000	\$ 2,656,354	\$ (426,646)
Comprehensive Services Fund:				
Revenue from Local Sources:				
Miscellaneous Revenue:				
Frederick County	48,500	48,500	39,210	(9,290)
Clarke County	18,500	18,500	10,773	(7,727)
Total Revenue from Local Sources	67,000	67,000	49,983	(17,017)
Revenue from the Commonwealth:				
Categorical Aid:				
CSA Grants	1,240,000	1,240,000	1,073,592	(166,408)
Total Comprehensive Services Fund	\$ 1,307,000	\$ 1,307,000	\$ 1,123,575	\$ (183,425)
Federal and State Grants Fund:				
Revenue from the Commonwealth:				
Categorical Aid:				
Victim/Witness	23,400	23,400	19,328	(4,072)
DUI enforcement	-	3,000	3,000	-
Highway safety grant	2,000	2,000	-	(2,000)
Total Revenue from the Commonwealth	25,400	28,400	22,328	(6,072)
Revenue from the Federal Government:				
Categorical Aid:				
Dedicated officer offender review	37,000	37,000	33,542	(3,458)
Police mini-grants	17,000	18,000	18,912	912
Law enforcement block grant	21,600	24,130	2,545	(21,585)
V-Stop grant	22,500	22,500	16,505	(5,995)
COPS - More	-	-	843	843
Firefighter & Rescue Equipment grants	-	371,300	370,789	(511)
Victim/Witness	77,800	77,800	76,680	(1,120)
Workforce Investment Act grant	359,500	359,500	334,617	(24,883)
Homeland Security	-	134,208	39,744	(94,464)
NVRDTF Grant	71,500	71,500	74,681	3,181
EPA Brownfield's	-	58,700	12,316	(46,384)
Crime analysis grant	-	23,823	21,646	(2,177)
Other federal grants	-	72,683	21,562	(51,121)
Total Revenue from the Federal Government	606,900	1,271,144	1,024,382	(246,762)
Total Federal and State Grants Fund	\$ 632,300	\$ 1,299,544	\$ 1,046,710	\$ (252,834)

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Gov't: (cont'd)				
Special Revenue Funds: (cont'd)				
Community Development Block Grant Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 3,257	\$ 3,257
Miscellaneous Revenue:				
CDBG loan repayments	-	-	6,614	6,614
Total Revenue from Local Sources	-	-	9,871	9,871
Revenue from the Federal Government:				
Other Categorical Aid:				
Community Development Block Grant	290,000	260,361	404,041	143,680
Total Community Development Block Grant Fund	\$ 290,000	\$ 260,361	\$ 413,912	\$ 153,551
Small Cities/Housing Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	4,186	4,186
Revenue from the Commonwealth:				
Other Categorical Aid:				
Virginia Housing Development Authority	70,000	70,000	79,138	9,138
Total Small Cities/Housing Fund	\$ 70,000	\$ 70,000	\$ 83,324	\$ 13,324
Highway Maintenance Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	3,000	3,000	15,181	12,181
Miscellaneous	-	-	531	531
Recovered Costs	-	3,000	5,507	2,507
Total Revenue from Local Sources	3,000	6,000	21,219	15,219
Revenue from the Commonwealth:				
Other Categorical Aid:				
Street and highway maintenance	2,067,000	2,067,000	2,063,306	(3,694)
Revenue from the Federal Government:				
Other Categorical Aid:				
Forestry grant	-	3,000	3,020	20
Total Highway Maintenance Fund	\$ 2,070,000	\$ 2,076,000	\$ 2,087,545	\$ 11,545
Emergency Communication Center Fund:				
Revenue from Local Sources:				
Other Local Taxes:				
E-911 tax	635,000	635,000	579,235	(55,765)
Revenue from Use of Money and Property:				
Revenue from use of money	3,000	3,000	4,966	1,966
Charges for Services:				
Alarm fees	15,000	15,000	4,500	(10,500)
Total Revenue from Local Sources	653,000	653,000	588,701	(64,299)
Revenue from the Commonwealth:				
Other Categorical Aid:				
E-911 Technology grant	75,000	75,000	34,467	(40,533)
Total Emergency Communication Center Fund	\$ 728,000	\$ 728,000	\$ 623,168	\$ (104,832)

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Gov't: (cont'd)				
Special Revenue Funds: (cont'd)				
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 2,060	\$ 2,060
Miscellaneous Revenue:				
Frederick County	140,500	116,500	116,500	-
Miscellaneous	39,000	59,000	76,730	17,730
Total Miscellaneous Revenue	179,500	175,500	193,230	17,730
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	\$ 179,500	\$ 175,500	\$ 195,290	\$ 19,790
Law Library Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	748	748
Charges for Services:				
Special assessment	30,000	30,000	26,475	(3,525)
Total Law Library Fund	\$ 30,000	\$ 30,000	\$ 27,223	\$ (2,777)
Asset Forfeiture Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	9,028	9,028
Revenue from the Commonwealth:				
Categorical Aid:				
Asset Forfeiture Funds	-	6,350	43,606	37,256
Total Asset Forfeiture Fund	\$ -	\$ 6,350	\$ 52,634	\$ 46,284
Total Special Revenue Funds	\$ 8,389,800	\$ 9,035,755	\$ 8,309,735	\$ (726,020)
Capital Projects Funds:				
Capital Improvements Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	199,133	199,133
Miscellaneous	55,000	55,000	-	(55,000)
Recovered Costs	-	-	75,000	75,000
Total Revenue from Local Sources	55,000	55,000	274,133	219,133
Revenue from the Commonwealth:				
Categorical Aid:				
Street and highway maintenance	82,000	82,000	97,804	15,804
Fire & Rescue Equipment grant	17,500	17,500	-	(17,500)
Total Revenue from the Commonwealth	99,500	99,500	97,804	(1,696)
Total Capital Improvements Fund	\$ 154,500	\$ 154,500	\$ 371,937	\$ 217,437
Total Capital Projects Funds	\$ 154,500	\$ 154,500	\$ 371,937	\$ 217,437
Debt Service Funds:				
School Bond Debt Service Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	12,205	12,205
Total School Bond Debt Service Fund	\$ -	\$ -	\$ 12,205	\$ 12,205
Total Debt Service Funds	\$ -	\$ -	\$ 12,205	\$ 12,205
Grand Total - Revenues - All Governmental Funds	\$ 66,069,300	\$ 67,446,360	\$ 71,697,884	\$ 4,251,524

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 102,690	\$ 52,690
Revenue from use of property	90,000	90,000	98,535	8,535
Total Revenue from Use of Money and Property	140,000	140,000	201,225	61,225
Charges for Services:				
Charges for education:				
Tuition or other payments from another county or city	184,000	184,000	167,506	(16,494)
Miscellaneous	126,000	126,000	131,100	5,100
Recovered Costs	-	-	22,448	22,448
Total Revenue from Local Sources	450,000	450,000	522,279	72,279
Revenue from Local Government:				
Contribution from City of Winchester	23,190,800	23,472,800	23,481,698	8,898
Total Revenue from Local Government	23,190,800	23,472,800	23,481,698	8,898
Revenue from the Commonwealth:				
Categorical Aid:				
Share of state sales tax	3,184,919	3,321,902	3,245,701	(76,201)
Basic school aid	6,254,311	6,295,577	6,298,421	2,844
Lottery distribution	405,224	405,224	404,342	(882)
Regular foster care	167,256	167,256	46,811	(120,445)
Gifted and talented	64,442	65,448	65,455	7
Remedial education	295,357	308,323	308,340	17
Special education	882,358	896,137	896,226	89
Textbook payments	104,297	105,925	105,936	11
Vocational education	132,188	134,253	135,952	1,699
Hospital, clinics, detention homes	81,787	81,787	75,478	(6,309)
Social security	371,092	376,318	349,092	(27,226)
Teacher retirement	345,755	350,666	327,274	(23,392)
GED Funding	15,717	15,717	15,717	-
Early intervention	32,924	32,924	38,803	5,879
Regional programs	435,686	485,686	422,677	(63,009)
Salary supplement	127,231	129,218	129,231	13
Special education - foster care	-	-	124,621	124,621
At risk	130,179	138,044	138,044	-
Medicaid reimbursement	-	25,881	64,239	38,358
Primary class size	200,767	200,767	195,111	(5,656)
Local school construction	133,930	133,930	134,335	405
Algebra - SOL	20,583	20,583	20,583	-
Technology initiative	206,000	206,000	206,000	-
English as a second language	168,979	181,675	181,675	-
Other - Education	38,111	51,279	42,249	(9,030)
Total Revenue from the Commonwealth	13,799,093	14,130,520	13,972,313	(158,207)
Revenue from the Federal Government:				
Categorical Aid:				
Other - Education	-	-	53,070	53,070
Total Revenue from the Federal Government	-	-	53,070	53,070
Total School Operating Fund	\$ 37,439,893	\$ 38,053,320	\$ 38,029,360	\$ (23,960)
School Cafeteria Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	2,000	2,000	8,084	6,084
Charges for Services:				
Cafeteria sales	735,807	755,807	759,172	3,365
Miscellaneous	9,000	9,000	8,439	(561)
Total Revenue from Local Sources	746,807	766,807	775,695	8,888

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Cafeteria Fund: (cont'd)				
Revenue from the Commonwealth:				
Categorical Aid:				
School food program grant	\$ 26,278	\$ 26,278	\$ 22,924	\$ (3,354)
Revenue from the Federal Government:				
Categorical Aid:				
School food program grant	595,000	675,000	718,716	43,716
Total School Cafeteria Fund	\$ 1,368,085	\$ 1,468,085	\$ 1,517,335	\$ 49,250
Federal Grants Fund:				
Revenue from the Federal Government:				
Categorical Aid:				
21st Century Grant	-	394,124	227,752	(166,372)
Title I	765,227	972,347	785,736	(186,611)
Title II Part B	203,994	209,209	199,857	(9,352)
Language Acquisition	90,566	82,087	62,461	(19,626)
Title VI	23,147	20,151	19,560	(591)
Drug Free Schools	34,020	37,881	32,322	(5,559)
Vocational education	68,027	72,131	71,687	(444)
Technology Literacy Challenge	19,543	19,543	14,967	(4,576)
Title VI-B - Special Education	803,748	902,395	791,883	(110,512)
Sliver grant	14,984	15,780	15,780	-
ESOL Grant	50,000	64,428	4,578	(59,850)
Other - Education	97,358	113,258	20,821	(92,437)
Total Federal Grants Fund	\$ 2,170,614	\$ 2,903,334	\$ 2,247,404	\$ (655,930)
School Textbook Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	5,626	5,626
Total Revenue from Local Sources	-	-	5,626	5,626
Total School Textbook Fund	\$ -	\$ -	\$ 5,626	\$ 5,626
Total Special Revenue Funds	\$ 40,978,592	\$ 42,424,739	\$ 41,799,725	\$ (625,014)
Capital Projects Funds:				
School Capital Improvement Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	52,154	52,154
Miscellaneous	-	-	43,225	43,225
Recovered Costs	-	-	48,977	48,977
Total Revenue from Local Sources	-	-	144,356	144,356
Total School Capital Improvement Fund	\$ -	\$ -	\$ 144,356	\$ 144,356
School Construction Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	830,151	830,151
Total Revenue from Local Sources	-	-	830,151	830,151

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Component Unit - School Board: (cont'd)				
Capital Projects Funds: (cont'd)				
School Construction Fund: (cont'd)				
Revenue from Local Government:				
Contribution from City of Winchester	\$ -	\$ 33,151,152	\$ 33,151,151	\$ (1)
Total Revenue from Local Government	-	33,151,152	33,151,151	(1)
Total School Construction Fund	\$ -	\$ 33,151,152	\$ 33,981,302	\$ 830,150
Total Capital Projects Funds	\$ -	\$ 33,151,152	\$ 34,125,658	\$ 974,506
Grand Total Revenues - Component Unit School Board	\$ 40,978,592	\$ 75,575,891	\$ 75,925,383	\$ 349,492
Component Unit - Parking Authority:				
Special Revenue Funds:				
Winchester Parking Authority:				
Revenue from Local Sources:				
Other Local Taxes:				
Share - City business license	12,500	12,500	12,500	-
Fines and Forfeitures:				
Parking fines	140,000	140,000	159,626	19,626
Revenue from Use of Money and Property:				
Revenue from use of money	6,000	6,000	19,056	13,056
Charges for Services:				
Parking fees	391,500	391,500	477,923	86,423
Miscellaneous	-	-	326	326
Total Revenue from Local Sources	550,000	550,000	669,431	119,431
Grand Total Revenues - Component Unit Parking Authority	\$ 550,000	\$ 550,000	\$ 669,431	\$ 119,431

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City Council	\$ 65,000	\$ 65,000	\$ 60,563	\$ 4,437
Clerk of Council	53,000	53,000	36,336	16,664
Total Legislative	<u>118,000</u>	<u>118,000</u>	<u>96,899</u>	<u>21,101</u>
General and Financial Administration:				
City Manager	224,000	203,000	202,876	124
Administration	517,000	570,000	569,613	387
City Attorney	225,000	186,000	185,434	566
Independent Auditor	47,000	44,000	43,407	593
Commissioner of Revenue	230,000	253,000	252,811	189
Assessor	163,000	161,000	160,437	563
Equalization Board	68,000	90,100	90,073	27
City Parking Program	70,000	62,800	62,532	268
Treasurer	400,000	402,300	402,295	5
Accounting	389,000	449,500	449,134	366
Data Processing	713,000	669,000	668,782	218
Personal Property/Tax Field Office	127,000	91,500	90,776	724
Other Adjustments	555,000	-	-	-
Risk Management	10,000	50,600	50,523	77
Total General and Financial Administration	<u>3,738,000</u>	<u>3,232,800</u>	<u>3,228,693</u>	<u>4,107</u>
Board of Elections:				
Electoral Board and Officials	31,000	30,300	29,479	821
Registrar	90,000	90,700	90,664	36
Total Board of Elections	<u>121,000</u>	<u>121,000</u>	<u>120,143</u>	<u>857</u>
Total General Government Administration	<u>3,977,000</u>	<u>3,471,800</u>	<u>3,445,735</u>	<u>26,065</u>
Judicial Administration:				
Courts:				
Circuit court	60,000	63,000	62,676	324
General District Court	20,000	19,500	19,043	457
Juvenile and Domestic Relations Court	15,000	15,500	15,430	70
Clerk of the Circuit Court	386,000	404,000	403,824	176
Jurors	25,000	25,500	25,290	210
Sheriff	567,000	614,500	614,261	239
Total Courts	<u>1,073,000</u>	<u>1,142,000</u>	<u>1,140,524</u>	<u>1,476</u>
Commonwealth Attorney:				
Commonwealth Attorney	582,000	619,500	619,287	213
Total Judicial Administration	<u>1,655,000</u>	<u>1,761,500</u>	<u>1,759,811</u>	<u>1,689</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	5,008,000	5,256,750	5,256,390	360
Police Criminal Investigations	875,000	934,000	933,934	66
Total Law Enforcement and Traffic Control	<u>5,883,000</u>	<u>6,190,750</u>	<u>6,190,324</u>	<u>426</u>
Fire and Rescue Services:				
Fire Department	3,186,000	3,479,620	3,479,460	160
Lord Fairfax EMS Council	8,300	8,300	8,300	-
Emergency Medical Services	45,000	72,790	72,755	35
Total Fire and Rescue Services	<u>3,239,300</u>	<u>3,560,710</u>	<u>3,560,515</u>	<u>195</u>
Correction and Detention:				
Regional Correction Centers	2,623,000	3,039,000	2,637,920	401,080
Probation Office	3,000	3,000	1,442	1,558
Total Correction and Detention	<u>2,626,000</u>	<u>3,042,000</u>	<u>2,639,362</u>	<u>402,638</u>

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Schedule 2 (Cont'd)

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government: (cont'd)				
General Fund: (cont'd)				
Public Safety: (cont'd)				
Inspections:				
Building	\$ 515,000	\$ 542,000	\$ 541,823	\$ 177
Other Protection:				
Animal Control	200,000	260,700	260,640	60
Emergency Services	55,000	103,495	90,964	12,531
Hazardous Materials	60,000	61,000	60,956	44
Flood Control	200,000	200,000	97,467	102,533
Total Other Protection	515,000	625,195	510,027	115,168
Total Public Safety	12,778,300	13,960,655	13,442,051	518,604
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
Highways, Streets, Bridges & Sidewalks	100,000	105,100	68,420	36,680
Storm Drainage	50,000	50,000	17	49,983
Street Lights	6,000	6,000	-	6,000
Total Maintenance of Highways, Streets, Bridges & Sidewalks	156,000	161,100	68,437	92,663
Sanitation and Waste Removal:				
Refuse Collection and Disposal	1,040,000	1,040,000	1,011,354	28,646
Maintenance of Buildings and Grounds:				
General Properties	438,000	484,500	475,364	9,136
Loudoun Mall	125,000	145,500	126,658	18,842
Joint Judicial Center	670,000	646,000	639,948	6,052
Public Safety Building	245,000	222,500	209,689	12,811
Total Maintenance of Buildings and Grounds	1,478,000	1,498,500	1,451,659	46,841
Total Public Works	2,674,000	2,699,600	2,531,450	168,150
Health and Welfare:				
Health:				
Our Health	25,000	25,000	25,000	-
Supplement to Local Health Department	205,000	205,000	205,040	(40)
Total Health	230,000	230,000	230,040	(40)
Mental Health and Mental Retardation:				
Chapter X Board	130,700	130,700	130,700	-
Welfare/Social Services:				
Area Agency on Aging	15,000	15,000	15,000	-
Property Tax Relief for the Elderly	600,000	600,000	278,972	321,028
Other Assistance	81,200	81,200	81,250	(50)
Comprehensive Services - Local Match	16,200	16,200	16,210	(10)
Total Welfare/Social Services	712,400	712,400	391,432	320,968
Total Health and Welfare	1,073,100	1,073,100	752,172	320,928
Education:				
Contribution to Community College	197,000	197,000	197,000	-
Contribution to City School Board	23,190,800	56,632,850	56,632,849	1
Total Education	23,387,800	56,829,850	56,829,849	1

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

	Budgeted Amounts			Schedule 2 (Cont'd)
Fund, Function, Activity, and Elements	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Parks, Recreation and Cultural:				
Parks and Recreation:				
Administration	\$ 438,600	\$ 394,117	\$ 310,034	\$ 84,083
Maintenance	756,500	766,583	709,429	57,154
Outdoor Swimming Pool	96,400	103,100	91,788	11,312
War Memorial Building	387,000	400,075	356,730	43,345
Armory	37,500	32,900	29,957	2,943
After-School Child Care	216,200	240,725	240,180	545
Athletic programs	169,100	169,100	146,693	22,407
Total Parks and Recreation	2,101,300	2,106,600	1,884,811	221,789
Cultural Enrichment:				
Apple Blossom Festival	36,000	36,000	33,101	2,899
Museums	25,000	185,000	185,000	-
Historical Society	-	75,000	75,000	-
Virginia Commissions of Arts	10,000	10,000	10,000	-
Total Cultural Enrichment	71,000	306,000	303,101	2,899
Library:				
Contribution to Regional Library	338,900	338,900	338,900	-
Total Parks, Recreation, and Cultural	2,511,200	2,751,500	2,526,812	224,688
Community Development:				
Planning and Community Development:				
Planning and Zoning	280,000	280,000	261,243	18,757
Other Economic Development	607,300	784,567	697,722	86,845
Downtown Development	135,000	175,000	147,885	27,115
Contribution to Regional Airport	71,900	66,900	27,600	39,300
Total Planning and Community Development	1,094,200	1,306,467	1,134,450	172,017
Environmental Management:				
Environmental Quality	36,500	36,500	33,189	3,311
Total Community Development	1,130,700	1,342,967	1,167,639	175,328
Debt Service:				
Principal retirement	4,508,327	4,508,327	4,114,516	393,811
Interest and fiscal charges	2,149,373	2,739,373	2,970,486	(231,113)
Bond issuance costs	-	209,820	209,528	292
Total Debt Service	6,657,700	7,457,520	7,294,530	162,990
Total General Fund	\$ 55,844,800	\$ 91,348,492	\$ 89,750,049	\$ 1,598,443
Special Revenue Funds:				
Social Service Fund:				
Health and Welfare:				
Welfare/Social Services:				
Social Services Administration	2,137,000	2,137,000	2,065,183	71,817
Public Assistance	1,833,000	1,833,000	1,312,930	520,070
Total Social Service Fund	\$ 3,970,000	\$ 3,970,000	\$ 3,378,113	\$ 591,887
Comprehensive Services Fund:				
Health and Welfare:				
Community Services	2,495,000	2,495,000	2,326,451	168,549
Total Comprehensive Services Fund	\$ 2,495,000	\$ 2,495,000	\$ 2,326,451	\$ 168,549
Federal and State Grants Fund:				
Judicial Administration:				
Victim/Witness Grant	115,000	115,000	112,677	2,323
Grand Jury	-	5,000	4,555	445
Domestic Violence	67,000	62,000	16,921	45,079
Total Judicial Administration	182,000	182,000	134,153	47,847

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Federal and State Grants Fund: (cont'd)				
Public Safety:				
Police Mini-Grants	\$ 19,000	\$ 25,000	\$ 24,525	\$ 475
Police Crime Analysis	-	31,764	28,861	2,903
Domestic Violence	55,000	55,300	55,218	82
COPS - More	-	1,200	1,124	76
Drug Task Force	72,000	75,000	74,662	338
Law Enforcement Block Grant	24,000	97,034	23,842	73,192
Hazardous Material	-	517,008	431,344	85,664
Other	8,500	8,500	-	8,500
Total Public Safety	178,500	810,806	639,576	171,230
Health and Welfare:				
Workforce Investment	359,500	359,500	334,617	24,883
Total Health and Welfare	359,500	359,500	334,617	24,883
Community Development:				
Brownfields	-	58,700	12,316	46,384
Total Federal and State Grants Fund	\$ 720,000	\$ 1,411,006	\$ 1,120,662	\$ 290,344
Community Development Block Grant Fund:				
Planning and Community Development:				
Redevelopment and Housing Assistance	290,000	644,323	408,015	236,308
Total Community Development Block Grant Fund	\$ 290,000	\$ 644,323	\$ 408,015	\$ 236,308
Small Cities/Housing Fund:				
Health and Welfare:				
Housing Assistance	70,000	70,000	61,436	8,564
Total Small Cities/Housing Fund	\$ 70,000	\$ 70,000	\$ 61,436	\$ 8,564
Highway Maintenance Fund:				
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
General Engineering	270,000	262,500	224,152	38,348
Highways, Streets, Bridges & Sidewalks	927,000	904,562	784,294	120,268
Storm Drainage	45,700	44,200	21,056	23,144
Street Lights	225,000	300,000	297,328	2,672
Snow and Ice Removal	95,200	104,700	92,895	11,805
Traffic Signals	402,100	390,600	362,960	27,640
Tree Division	105,000	113,438	107,206	6,232
Total Highway Maintenance Fund	\$ 2,070,000	\$ 2,120,000	\$ 1,889,891	\$ 230,109
Emergency Communication Center Fund:				
Public Safety:				
Communication operations	782,520	772,520	750,477	22,043
Debt Service:				
Principal retirement	58,900	58,900	58,848	52
Interest and fiscal charges	33,580	43,580	43,356	224
Total Debt Service	92,480	102,480	102,204	276
Total Emergency Communication Center Fund	\$ 875,000	\$ 875,000	\$ 852,681	\$ 22,319

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd) Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Community Development:				
Tourism	\$ 320,000	\$ 292,000	\$ 294,582	\$ (2,582)
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	\$ 320,000	\$ 292,000	\$ 294,582	\$ (2,582)
Law Library Fund:				
Judicial Administration:				
Judicial Center Law Library	30,000	30,000	28,178	1,822
Total Law Library Fund	\$ 30,000	\$ 30,000	\$ 28,178	\$ 1,822
Asset Forfeiture Fund:				
Judicial Administration:				
Commonwealth attorney	-	9,000	7,289	1,711
Public Safety:				
Police Department	-	6,340	6,304	36
Total Asset Forfeiture Fund	\$ -	\$ 15,340	\$ 13,593	\$ 1,747
Total Special Revenue Funds	\$ 10,840,000	\$ 11,922,669	\$ 10,373,602	\$ 1,549,067
Capital Projects Funds:				
Capital Improvements Fund:				
Current:				
General Government Administration	80,000	155,000	-	155,000
Public Safety	535,000	548,200	13,500	534,700
Public Works	11,715,000	10,364,350	2,572,833	7,791,517
Parks and Recreation	170,000	262,300	175,722	86,578
Planning & Community Development	30,000	115,000	39,785	75,215
Total Current Expenditures	12,530,000	11,444,850	2,801,840	8,643,010
Capital Projects:				
Public Works	800,000	1,438,648	594,707	843,941
Parks and Recreation Administration	3,000,000	3,000,000	317,989	2,682,011
Joint Judicial Center	1,250,000	1,230,000	91,903	1,138,097
Total Capital Projects	5,050,000	5,668,648	1,004,599	4,664,049
Debt Service:				
Bond issuance costs	-	50,650	50,640	10
Total Capital Improvements Fund	\$ 17,580,000	\$ 17,164,148	\$ 3,857,079	\$ 13,307,069
Total Capital Projects Funds	\$ 17,580,000	\$ 17,164,148	\$ 3,857,079	\$ 13,307,069
Debt Service Funds:				
School Bond Debt Service Fund:				
Debt Service:				
Principal retirement	120,000	120,000	117,468	2,532
Interest and fiscal charges	35,000	35,000	34,667	333
Total School Bond Debt Service Fund	\$ 155,000	\$ 155,000	\$ 152,135	\$ 2,865
Total Debt Service Funds	\$ 155,000	\$ 155,000	\$ 152,135	\$ 2,865
Grand Total - Expenditures - All Governmental Funds	\$ 84,419,800	\$ 120,590,309	\$ 104,132,865	\$ 16,457,444 cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

Fund, Function, Activity, and Elements	Schedule 2 (Cont'd)		
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	Actual
Component Unit - School Board:			
Special Revenue Funds:			
School Operating Fund:			
Education:			
Instruction Costs	\$ 32,251,750	\$ 32,209,709	\$ 31,975,394
Administration of Schools	1,934,268	2,024,721	1,797,350
Operating Costs:			
Pupil Transportation	1,076,674	1,399,028	1,350,121
Operation and Maintenance of School Plant	2,022,201	1,969,862	1,933,680
Total Education	<u>37,284,893</u>	<u>37,603,320</u>	<u>37,056,545</u>
Total School Operating Fund	<u>\$ 37,284,893</u>	<u>\$ 37,603,320</u>	<u>\$ 37,056,545</u>
School Cafeteria Fund:			
Education:			
School Food Services	1,386,860	1,521,560	1,442,321
Operation and Maintenance	1,225	1,525	1,224
Total School Cafeteria Fund	<u>\$ 1,388,085</u>	<u>\$ 1,523,085</u>	<u>\$ 1,443,545</u>
Federal Grants Fund:			
Education:			
Instruction Costs	2,170,614	2,903,334	2,247,404
Total Federal Grants Fund	<u>\$ 2,170,614</u>	<u>\$ 2,903,334</u>	<u>\$ 2,247,404</u>
School Textbook Fund:			
Education:			
Purchase of textbooks	405,000	504,512	465,614
Total School Textbook Fund	<u>\$ 405,000</u>	<u>\$ 504,512</u>	<u>\$ 465,614</u>
Total Special Revenue Funds	<u>\$ 41,248,592</u>	<u>\$ 42,534,251</u>	<u>\$ 41,213,108</u>
Capital Projects Funds:			
School Capital Improvement Fund:			
Education:			
Operations and Maintenance	222,643	1,841,342	882,732
Capital projects:			
Daniel Morgan Middle School	-	-	344,809
John Handley High School	-	-	166,394
Total Capital Projects	<u>-</u>	<u>-</u>	<u>511,203</u>
Total School Capital Improvement Fund	<u>\$ 222,643</u>	<u>\$ 1,841,342</u>	<u>\$ 1,393,935</u>
School Construction Fund:			
Capital projects:			
Daniel Morgan Middle School	-	12,139,969	11,014,782
John Handley High School	-	23,198,836	16,687,452
Total School Construction Fund	<u>\$ -</u>	<u>\$ 35,338,805</u>	<u>\$ 27,702,234</u>
Total Capital Projects Funds	<u>\$ 222,643</u>	<u>\$ 37,180,147</u>	<u>\$ 29,096,169</u>
Grand Total - Expenditures - Component Unit School Board	<u>\$ 41,471,235</u>	<u>\$ 79,714,398</u>	<u>\$ 70,309,277</u>

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2006

				Schedule 2 (Cont'd)
Fund, Function, Activity, and Elements	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Component Unit - Parking Authority:				
Special Revenue Funds:				
Winchester Parking Authority:				
Public Works:				
Administration	\$ 421,800	\$ 419,800	\$ 376,920	\$ 42,880
Off Street Lots	14,500	14,500	11,354	3,146
Braddock Street Autopark	28,700	23,200	18,030	5,170
Court Square Autopark	23,900	64,716	63,065	1,651
Loudoun Autopark	26,700	40,145	34,800	5,345
Parking Enforcement	<u>34,400</u>	<u>36,400</u>	<u>36,059</u>	<u>341</u>
Grand Total - Expenditures -				
Component Unit Parking Authority	<u>\$ 550,000</u>	<u>\$ 598,761</u>	<u>\$ 540,228</u>	<u>\$ 58,533</u>

STATISTICAL SECTION

This part of the City of Winchester's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	<u>Tables</u>	<u>Pages</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1 - 4	106-110
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5 - 8	111-114
<i>Debt Capacity</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	9 - 12	115-118
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	13 - 14	119-120
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	15 - 17	121-123

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF WINCHESTER, VIRGINIA
NET ASSETS BY COMPONENT
Last Four Fiscal Years (1)
(accrual basis of accounting)

Table 1

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 7,748,390	\$ 23,709,296	\$ 27,530,372	\$ 31,894,578
Restricted	-	-	-	-
Unrestricted	15,373,006	(2,745,524)	(16,610,067)	(41,078,838)
Total governmental activities net assets	<u>\$ 23,121,396</u>	<u>\$ 20,963,772</u>	<u>\$ 10,920,305</u>	<u>\$ (9,184,260)</u>
Business-type activities				
Invested in capital assets, net of related debt	27,093,874	28,384,032	30,128,483	32,310,319
Restricted	-	-	-	2,000
Unrestricted	4,411,056	4,182,606	7,464,431	3,904,997
Total business-type activities net assets	<u>\$ 31,504,930</u>	<u>\$ 32,566,638</u>	<u>\$ 37,592,914</u>	<u>\$ 36,217,316</u>
Primary government				
Invested in capital assets, net of related debt	34,842,264	52,093,328	57,658,855	64,204,897
Restricted	-	-	-	2,000
Unrestricted	19,784,062	1,437,082	(9,145,636)	(37,173,841)
Total primary government net assets	<u>\$ 54,626,326</u>	<u>\$ 53,530,410</u>	<u>\$ 48,513,219</u>	<u>\$ 27,033,056</u>
School Board Component Unit				
Invested in capital assets, net of related debt	\$ 18,574,602	\$ 22,990,095	\$ 42,682,558	\$ 70,713,467
Restricted	1,517,504	2,626,304	-	-
Unrestricted	3,292,060	2,802,246	4,965,488	10,815,973
Total governmental activities net assets	<u>\$ 23,384,166</u>	<u>\$ 28,418,645</u>	<u>\$ 47,648,046</u>	<u>\$ 81,529,440</u>

Notes:

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF WINCHESTER, VIRGINIA
CHANGES IN NET ASSETS
Last Four Fiscal Years (1)
(accrual basis of accounting)

Table 2

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 2,962,960	\$ 3,618,293	\$ 3,757,763	\$ 4,101,357
Judicial administration	1,584,831	1,545,183	1,327,540	2,061,174
Public safety	10,452,560	11,199,311	12,392,777	14,541,554
Public works	4,605,814	5,185,182	5,212,319	5,296,991
Health and welfare	6,161,955	6,291,811	6,652,692	6,880,841
Education	20,872,530	26,928,594	41,445,344	56,829,849
Parks, recreation and culture	1,816,474	2,494,978	2,352,025	2,187,433
Community development	1,488,120	1,539,404	2,449,154	1,906,853
Interest on long-term debt	1,630,065	1,837,773	2,077,447	3,388,365
Total governmental activities expenses	51,575,309	60,640,529	77,667,061	97,194,417
Business-type activities:				
Water and sewer	10,660,801	10,698,172	10,291,642	11,660,732
Bus service	586,641	560,087	645,959	921,626
Total business-type activities expenses	11,247,442	11,258,259	10,937,601	12,582,358
Total primary government expenses	\$ 62,822,751	\$ 71,898,788	\$ 88,604,662	\$ 109,776,775
Program Revenues				
Governmental activities:				
Charges for services:				
General government	501,150	512,515	609,001	672,473
Judicial administration	310,478	329,628	418,589	383,212
Public safety	120,547	137,440	109,541	127,567
Public works	300,956	370,730	358,752	480,784
Health and welfare	65,008	60,934	71,228	71,388
Parks, recreation and culture	501,522	567,817	588,779	591,651
Community development	429,877	617,696	636,958	616,498
Operating grants and contributions	8,312,733	8,511,231	8,335,248	9,302,094
Capital grants and contributions	-	346,440	1,317,918	484,819
Total governmental activities revenues	10,542,271	11,454,431	12,446,014	12,730,486
Business-type activities:				
Charges for services:				
Water and sewer	12,602,143	13,217,273	14,618,918	13,511,213
Bus service	87,652	71,071	66,376	84,029
Operating grants and contributions	324,511	323,019	392,920	449,306
Capital grants and contributions	-	314,144	2,496,444	401,660
Total business-type activities revenues	13,014,306	13,925,507	17,574,658	14,446,208
Total primary government revenues	\$ 23,556,577	\$ 25,379,938	\$ 30,020,672	\$ 27,176,694

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental activities	\$ (41,033,038)	\$ (49,186,098)	\$ (65,221,047)	\$ (84,463,931)
Business-type activities	1,766,864	2,667,248	6,637,057	1,863,850
Total primary government net expense	<u>\$ (39,266,174)</u>	<u>\$ (46,518,850)</u>	<u>\$ (58,583,990)</u>	<u>\$ (82,600,081)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	17,368,001	17,499,244	20,654,729	25,468,425
Sales taxes	8,791,276	9,535,895	10,273,222	10,894,693
Utility taxes	3,123,810	3,262,250	3,394,446	3,433,690
Business license taxes	4,311,145	4,739,154	5,400,295	5,983,072
Franchise taxes	431,927	923,194	1,057,007	543,864
Hotel and meals taxes	3,426,565	3,737,769	5,032,624	5,598,277
E-911 taxes	554,297	618,392	651,115	579,235
Other local taxes	1,606,576	1,187,763	1,468,133	2,182,526
Unrestricted grants and contributions	3,497,399	3,620,250	3,752,212	3,959,529
Investment earnings	208,968	59,384	205,740	875,864
Miscellaneous	475,516	417,124	414,694	459,032
Gain on sale of capital assets	43,465	378,716	-	734,856
Transfers	90,000	1,404,342	1,819,869	3,677,307
Total governmental activities	<u>43,928,945</u>	<u>47,383,477</u>	<u>54,124,086</u>	<u>64,390,370</u>
Business-type activities:				
Investment earnings	108,332	70,916	195,569	400,403
Miscellaneous	17,306	25,051	13,519	37,456
Transfers	(90,000)	(1,404,342)	(1,819,869)	(3,677,307)
Total business-type activities	<u>35,638</u>	<u>(1,308,375)</u>	<u>(1,610,781)</u>	<u>(3,239,448)</u>
Total primary government	<u>\$ 43,964,583</u>	<u>\$ 46,075,102</u>	<u>\$ 52,513,305</u>	<u>\$ 61,150,922</u>
Change in Net Assets				
Governmental activities	2,895,907	(1,802,621)	(11,096,961)	(20,073,561)
Business-type activities	1,802,502	1,358,873	5,026,276	(1,375,598)
Total primary government	<u>\$ 4,698,409</u>	<u>\$ (443,748)</u>	<u>\$ (6,070,685)</u>	<u>\$ (21,449,159)</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
CHANGES IN NET ASSETS
Last Four Fiscal Years (1)
(accrual basis of accounting)

Table 2 (Cont'd)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
School Board Component Unit:				
Education	\$ 34,734,639	\$ 36,697,616	\$ 39,729,723	\$ 42,043,989
Total School Board component unit expenses	<u>34,734,639</u>	<u>36,697,616</u>	<u>39,729,723</u>	<u>42,043,989</u>
Program Revenues				
School Board Component Unit:				
Charges for services:				
Education	804,049	881,307	915,437	949,126
Operating grants and contributions	13,092,918	13,714,468	15,551,702	16,524,727
Capital grants and contributions	513,518	6,261,989	19,836,755	33,689,828
Total School Board component unit revenues	<u>14,410,485</u>	<u>20,857,764</u>	<u>36,303,894</u>	<u>51,163,681</u>
Net (Expense)/Revenue				
School Board Component Unit	<u>(20,324,154)</u>	<u>(15,839,852)</u>	<u>(3,425,829)</u>	<u>9,119,692</u>
General Revenues and Other Changes in Net Assets				
School Board Component Unit:				
Payment from City of Winchester	20,845,230	21,135,323	21,975,750	23,481,698
Investment earnings	197,189	76,553	424,115	998,705
Miscellaneous	149,827	243,789	246,617	281,299
Gain on sale of capital assets	-	-	8,748	-
Total School Board Component Unit	<u>21,192,246</u>	<u>21,455,665</u>	<u>22,655,230</u>	<u>24,761,702</u>
Change in Net Assets				
School Board Component Unit	<u>\$ 868,092</u>	<u>\$ 5,615,813</u>	<u>\$ 19,229,401</u>	<u>\$ 33,881,394</u>

Notes:

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF WINCHESTER, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 600,000	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,569,873	3,689,609	7,057,540	8,058,258	7,681,125	10,983,201	12,572,449	14,714,401	18,982,128	25,075,724
Total general fund	\$ 5,169,873	\$ 3,989,609	\$ 7,057,540	\$ 8,058,258	\$ 7,681,125	\$ 10,983,201	\$ 12,572,449	\$ 14,714,401	\$ 18,982,128	\$ 25,075,724
All Other Governmental Funds										
Reserved	-	-	-	-	-	111,534	117,459	117,459	126,832	-
Unreserved, reported in:										
Special revenue funds	100,076	79,983	94,363	130,293	2,421,779	2,179,631	1,392,992	1,201,214	1,286,541	1,468,954
Capital projects funds	1,356,250	3,779,426	6,014,726	5,858,532	1,724,962	1,320,836	1,590,093	1,559,751	950,751	6,847,195
Debt service funds	-	150,100	213,348	342,097	783,179	753,276	811,011	639,959	482,877	342,947
Total all other governmental funds	\$ 1,456,326	\$ 4,009,509	\$ 6,322,437	\$ 6,330,922	\$ 4,929,920	\$ 4,365,277	\$ 3,911,555	\$ 3,518,383	\$ 2,847,001	\$ 8,659,096

CITY OF WINCHESTER, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
General property taxes	\$ 13,981,421	\$ 14,105,654	\$ 15,533,053	\$ 16,199,702	\$ 16,753,331	\$ 16,962,723	\$ 17,174,708	\$ 17,904,992	\$ 20,502,718	\$ 25,041,195
Sales taxes	6,018,400	6,324,254	6,950,694	7,533,789	7,912,573	8,373,713	8,791,276	9,535,895	10,273,222	10,894,693
Other local taxes	9,214,977	9,456,848	10,131,290	10,570,338	12,339,688	13,319,018	13,454,320	14,468,522	17,003,620	18,320,664
Permits, privilege fees and regulatory licenses	227,384	274,913	241,631	200,299	180,609	236,827	433,236	621,027	639,874	619,646
Fines and forfeitures	125,078	164,091	221,814	211,335	175,750	170,343	171,173	185,477	274,987	221,123
Revenues from use of money and property	794,800	480,475	478,184	590,333	725,439	353,053	208,570	86,646	226,866	897,306
Charges for services	320,141	413,678	496,492	537,943	630,776	666,325	732,614	827,070	834,354	843,209
Miscellaneous	390,511	431,942	70,796	440,921	133,863	284,004	387,757	382,337	391,358	436,721
Recovered costs	798,489	631,344	829,184	791,577	559,903	597,267	670,731	647,694	650,470	776,667
Intergovernmental	6,231,164	6,830,247	8,151,077	9,558,743	9,891,643	11,203,986	11,810,132	12,477,171	12,575,431	13,646,660
Total revenues	38,102,365	39,113,446	43,104,215	46,634,980	49,303,575	52,167,259	53,834,517	57,136,831	63,372,900	71,697,884
Expenditures										
General government administration	2,154,898	2,556,714	2,446,637	2,569,682	2,512,660	2,580,774	2,566,622	3,201,756	3,140,752	3,445,735
Judicial administration	1,038,532	1,166,569	1,249,391	1,247,868	1,263,211	1,355,647	1,511,492	1,609,089	1,661,817	1,929,431
Public safety	5,791,771	6,916,249	7,346,721	8,271,879	8,762,548	9,110,416	10,387,188	11,041,207	12,505,214	14,851,908
Public works	3,101,372	3,161,497	3,350,943	3,370,922	3,797,117	4,342,821	5,139,949	5,878,314	5,645,313	6,994,174
Health and welfare	3,523,634	4,224,974	5,064,947	6,166,899	5,643,528	5,826,622	6,168,712	6,270,468	6,678,900	6,852,789
Education (1)	14,451,681	16,250,019	15,841,850	17,091,927	17,118,913	18,459,427	20,872,530	26,928,594	41,445,344	56,829,849
Parks, recreation and culture	1,257,619	1,402,147	1,332,493	1,578,986	1,679,441	1,880,178	1,974,719	2,239,955	2,125,648	2,702,534
Community development	486,480	807,584	612,902	601,728	744,326	1,326,312	1,490,323	1,560,657	2,456,570	1,922,337
Capital projects	1,384,418	628,469	1,988,295	3,349,991	4,651,233	4,565,268	1,826,167	583,013	744,593	1,004,599
Debt service:										
Principal retirement	2,239,657	2,227,453	2,593,164	2,654,826	2,696,598	2,746,988	2,837,627	3,101,293	3,511,299	4,290,832
Interest and fiscal charges	1,834,681	1,617,215	1,655,313	1,745,145	1,799,740	1,778,645	1,620,693	1,669,686	1,763,091	3,048,509
Bond issuance costs	-	80,291	12,686	15,970	-	9,457	27,542	105,029	297,686	260,168
Advance refunding escrow	-	-	-	-	-	-	88,892	-	129,378	-
Total expenditures	37,264,743	41,039,181	43,495,342	48,665,823	50,669,315	53,982,555	56,512,456	64,189,061	82,105,605	104,132,865
Excess of revenues over (under) expenditures	837,622	(1,925,735)	(391,127)	(2,030,843)	(1,365,740)	(1,815,296)	(2,677,939)	(7,052,230)	(18,732,705)	(32,434,981)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other Financing Sources (Uses)										
Sale of property	13,802	2,138	1,068,027	-	-	187,374	43,465	382,758	7,004	752,455
Insurance recoveries	-	-	-	-	-	-	-	-	-	59,303
Bonds issued	-	7,746,536	5,000,000	3,000,003	-	4,249,054	8,736,000	6,710,000	28,172,590	39,000,000
Premium on debt	-	-	-	-	-	-	-	61,315	620,625	1,230,047
Capital lease	-	-	66,414	65,812	-	-	-	242,595	766,308	282,000
Payment to refunded bond escrow agent	-	(4,189,224)	-	-	-	-	(5,056,000)	-	(9,952,868)	-
Transfers in	2,434,200	1,777,153	1,469,500	2,136,621	2,608,336	2,397,496	3,409,678	3,651,075	4,715,464	6,848,646
Transfers out	(2,638,900)	(2,037,821)	(1,539,500)	(2,150,953)	(2,517,474)	(2,262,496)	(3,319,678)	(2,246,733)	(2,895,595)	(3,800,775)
Total other financing sources and uses	(190,898)	3,298,782	6,064,441	3,051,483	90,862	4,571,428	3,813,465	8,801,010	21,433,528	44,371,676
Net change in fund balances	\$ 646,724	\$ 1,373,047	\$ 5,673,314	\$ 1,020,640	\$ (1,274,878)	\$ 2,756,132	\$ 1,135,526	\$ 1,748,780	\$ 2,700,823	\$ 11,936,695
Debt service as a percentage of noncapital expenditures (2)	N/A	N/A	N/A	N/A	N/A	N/A	9.5%	8.6%	7.8%	8.3%

Notes:

(1) Education expenditures include the City's contribution to the School Board Component Unit.

(2) Expenditure totals for capitalized assets included within the functional expenditure categories were not available for fiscal years prior to 2003.

CITY OF WINCHESTER, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 5

Fiscal Year	Real Property (1)(3)				Personal Property (1)							Total Taxable Assessed Value	Total Direct Tax Rate		
	Residential	Commercial	Tax Rate per \$100	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100			Mobile Homes	Tax Rate per \$100
1997	\$ 769,829,400	\$ 524,463,400	\$ 0.59	\$ 44,196,689	\$ 0.59	\$ 115,934,849	\$ 3.50	\$ 54,798	\$ 3.50	\$ 97,555,894	\$ 1.20	\$ 318,906	\$ 0.59	\$ 1,552,353,936	\$ 0.85
1998	782,947,200	528,835,500	0.59	45,199,008	0.59	120,145,231	3.50	45,846	3.50	108,612,583	1.20	275,092	0.59	1,586,060,460	0.86
1999	824,902,170	575,655,500	0.64	48,766,228	0.59	135,130,088	3.50	39,606	3.50	114,367,950	1.20	193,687	0.59	1,699,055,229	0.91
2000	832,048,200	582,892,100	0.67	52,657,384	0.64	139,920,386	3.50	29,272	3.50	121,353,986	1.20	197,498	0.65	1,729,098,822	0.93
2001	860,660,706	590,123,200	0.72	55,354,811	0.67	153,267,558	3.50	34,012	3.50	121,068,656	1.20	173,462	0.65	1,780,682,405	0.99
2002	856,043,311	600,065,600	0.72	54,035,828	0.72	153,944,372	3.50	34,190	3.50	131,402,338	1.20	174,602	0.65	1,795,700,241	0.99
2003	(2) 1,118,428,884	732,552,900	0.58	52,338,544	0.72	153,763,064	3.50	19,014	3.50	135,636,858	1.20	225,300	0.65	2,192,964,564	0.83
2004	1,168,629,389	744,643,100	0.63	59,448,513	0.58	157,769,037	3.50	10,558	3.50	116,302,067	1.20	242,600	0.72	2,247,045,264	0.87
2005	(2) 1,547,000,230	846,685,200	0.63	52,812,984	0.63	163,876,921	3.50	33,411	3.50	114,813,086	1.30	236,400	0.63	2,725,458,232	0.82
2006	1,611,591,819	873,266,900	0.69	64,545,448	0.63	174,036,126	4.50	-	4.50	121,396,014	1.30	251,900	0.63	2,845,088,207	0.95

Notes:

- (1) Property assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
 (2) General reassessment of real property completed for the 2003 and 2005 tax year.
 (3) Real property tax rate for residential and commercial property is rate in effect for 1st half billing coming due in the current fiscal year.

Source:

City of Winchester, Commissioner of the Revenue

**CITY OF WINCHESTER, VIRGINIA
DIRECT PROPERTY TAX RATES (1)
Last Ten Fiscal Years
(rate per \$100 of assessed value)**

Table 6

Fiscal Year	City Direct Rates (2)					Total Direct Rate
	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools		
1997	\$ 0.49	\$ 0.02	\$ 0.26	\$ 0.08	\$	0.85
1998	0.49	0.02	0.27	0.08		0.86
1999	0.53	0.02	0.28	0.08		0.91
2000	0.55	0.02	0.28	0.08		0.93
2001	0.59	0.02	0.30	0.08		0.99
2002	0.58	0.02	0.30	0.09		0.99
2003	0.49	0.02	0.25	0.07		0.83
2004	0.54	0.02	0.25	0.06		0.87
2005	0.55	0.01	0.21	0.05		0.82
2006	0.60	0.01	0.28	0.06		0.95

Notes:

- (1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there are no overlapping taxing powers with other political subdivisions.
- (2) Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies.

Source:

City of Winchester, Commissioner of the Revenue

**CITY OF WINCHESTER, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Table 7

Taxpayer	December 31, 2005				December 31, 1996			
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed	
			Value				Value	
Mayflower Apple Blossom, LP	\$ 35,651,900	1	1.28%		\$ -		-	
Winchester Medical Center, Inc.	27,913,600	2	1.00%		11,348,300	8	0.75%	
Dev. Diversified Realty Corp.	18,325,000	3	0.66%		12,122,300	7	0.80%	
Trout Segall & Doyle Winch Prop LLC	17,855,400	4	0.64%		-		-	
National Fruit Prod. Co., Inc	16,932,800	5	0.61%		12,414,500	5	0.82%	
Wal-Mart Realty Co.	16,237,600	6	0.58%		-		-	
Rubbermaid Com. Prod., Inc.	15,968,900	7	0.57%		15,238,400	2	1.01%	
P D K Winchester, LC	15,445,100	8	0.56%		-		-	
Lowe's Home Center, Inc.	11,687,400	9	0.42%		-		-	
Loveless Homes X, LLC	10,357,300	10	0.37%		-		-	
Apple Blossom Mall Trust	-		-		29,101,900	1	1.93%	
Glaize Development	-		-		13,041,500	3	0.86%	
H H Hable Estate	-		-		12,791,700	4	0.85%	
Abrams Creek Dev. Assoc.	-		-		12,167,500	6	0.81%	
Pine Motor Co/Chs. A. Pine, Jr.	-		-		11,283,600	9	0.75%	
Molden Real Estate	-		-		10,717,200	10	0.71%	
Total	\$ 186,375,000		6.70%		\$ 140,226,900		9.30%	

Source:

City of Winchester, Assessor's Office

**CITY OF WINCHESTER, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Seven Fiscal Years (1)**

Table 8

Fiscal Year	Taxes Levied for the		Total Adjusted Levy	Collected within the Fiscal Year of the Levy (2)		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2000	\$ 15,782,711	\$ 1,378,280	\$ 17,160,991	\$ 14,864,456	94.18%	\$ 2,050,120	\$ 16,914,576	98.56%
2001	16,494,957	1,617,543	18,112,500	15,704,676	95.21%	2,165,373	17,870,049	98.66%
2002	17,395,955	1,749,527	19,145,482	16,414,575	94.36%	2,543,449	18,958,024	99.02%
2003	18,718,770	1,878,842	20,597,612	17,686,635	94.49%	2,625,070	20,311,705	98.61%
2004	19,391,170	1,828,968	21,220,138	18,547,957	95.65%	2,406,196	20,954,153	98.75%
2005	20,766,491	2,096,655	22,863,146	19,893,140	95.79%	2,537,596	22,430,736	98.11%
2006	25,705,020	-	25,705,020	24,280,467	94.46%	-	24,280,467	94.46%

Source:
City of Winchester, Treasurer

Notes:

- (1) Information is only available for last 7 years. Data will be added until a 10 year comparison is achieved.
- (2) Includes the Commonwealth's personal property tax reimbursement.

CITY OF WINCHESTER, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Table 9

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Capital Leases	General Obligation Bonds				
1997	\$ 31,272,910	\$ 4,500,000	\$ 52,438	\$ 6,286,485	\$	42,111,833	8.44%	\$ 1,897
1998	32,918,467	4,497,570	91,198	6,253,933		43,761,168	8.08%	1,971
1999	35,448,741	3,534,893	34,174	10,547,859		49,565,667	8.75%	2,213
2000	35,840,714	1,504,098	33,942	16,649,440		54,028,194	8.41%	2,291
2001	33,178,057	547,670	623,987	15,510,073		49,859,787	7.37%	2,069
2002	34,669,317	-	634,793	20,176,978		55,481,088	8.20%	2,302
2003	35,936,575	-	521,908	18,771,515		55,229,998	8.17%	2,292
2004	39,747,433	-	562,352	20,835,285		61,145,070	9.16%	2,502
2005	55,393,281	-	945,288	21,751,067		78,089,636	11.80%	3,196
2006	90,474,179	-	800,463	26,662,924		117,937,566	15.60%	4,695

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:

- (1) See the Schedule of Demographic and Economic Statistics on page 118 for personal income and population data.

CITY OF WINCHESTER, VIRGINIA
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Table 10

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
1997	\$ 31,272,910	\$ -	\$ 31,272,910	2.01%	\$ 1,409
1998	32,918,467	150,100	32,768,367	2.07%	1,476
1999	35,448,741	213,348	35,235,393	2.07%	1,573
2000	35,840,714	342,097	35,498,617	2.05%	1,505
2001	33,178,057	783,179	32,394,878	1.82%	1,344
2002	34,669,317	753,276	33,916,041	1.89%	1,407
2003	35,936,575	811,011	35,125,564	1.60%	1,457
2004	39,747,433	639,959	39,107,474	1.74%	1,601
2005	55,393,281	482,877	54,910,404	2.01%	2,247
2006	90,474,179	342,947	90,131,232	3.17%	3,588

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:

- (1) See the Schedule of Assessed Value and Actual Value of Taxable Property on page 110 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 118.

CITY OF WINCHESTER, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
As of June 30, 2006

Table 11

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Winchester</u>	<u>Amount Applicable to City of Winchester</u>
City of Winchester	\$ 91,274,642	100%	\$ 91,274,642

Notes:

- (1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there is no overlapping debt or taxing powers.

CITY OF WINCHESTER, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Table 12

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 133,848,949	\$ 135,698,171	\$ 144,932,390	\$ 146,759,768	\$ 150,613,872	\$ 151,014,474	\$ 190,332,033	\$ 197,272,100	\$ 244,649,841	\$ 254,940,417
Total net debt applicable to limit	37,559,395	39,022,300	45,783,252	52,148,057	47,904,951	54,093,019	53,260,133	59,942,759	76,661,471	116,794,156
Legal debt margin	\$ 96,289,554	\$ 96,675,871	\$ 99,149,138	\$ 94,611,711	\$ 102,708,921	\$ 96,921,455	\$ 137,071,900	\$ 137,329,341	\$ 167,988,370	\$ 138,146,261
Total net debt applicable to the limit as a percentage of debt limit	28.06%	28.76%	31.59%	35.53%	31.81%	35.82%	27.98%	30.39%	31.34%	45.81%
Legal Debt Margin Calculation for Fiscal Year 2006										
Assessed Value of Real Property	\$ 2,549,404,167									
Debt Limit - 10%	254,940,417									
Amount of Debt Applicable to Debt Limit	117,137,103									
General obligation bonds										
Less: Amount set aside for repayment of general obligation debt	(342,947)									
Total net debt applicable to limit	116,794,156									
Legal Debt Margin	\$ 138,146,261									

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed real property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**CITY OF WINCHESTER, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Table 13

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(4)	Educational attainment (4)		School enrollment(5)	Unemployment rate (3)
					High School Graduate or higher	Bachelor's Degree or higher		
1997	22,200	\$ 499,056	\$ 22,480	34.9	68.8%	18.8%	3,226	4.80%
1998	22,200	541,414	24,388	35.2	68.8%	18.8%	3,276	3.00%
1999	22,400	566,339	25,283	35.2	68.8%	18.8%	3,270	2.50%
2000	23,585	642,715	27,251	35.2	75.4%	23.7%	3,315	1.80%
2001	24,100	676,318	28,063	35.2	75.4%	23.7%	3,368	3.00%
2002	24,100	676,318	28,063	35.2	75.4%	23.7%	3,466	3.30%
2003	24,100	676,318	28,063	35.2	75.4%	23.7%	3,517	3.30%
2004	24,434	667,244	27,308	35.2	75.4%	23.7%	3,567	2.90%
2005	24,434	661,770	27,084	35.2	75.4%	23.7%	3,631	3.30%
2006	25,119	756,182	30,104	35.2	75.4%	23.7%	3,756	2.80%

Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Economic Analysis
- (3) Virginia Employment Commission
- (4) U.S. Census Bureau - Data presented is percentage of persons 25 years or older attaining the described educational status; 2000 census is latest available data.
- (5) City of Winchester School Board.

**CITY OF WINCHESTER, VIRGINIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Table 14

<u>Employer</u>	<u>2006 (1)</u>			<u>1997 (1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Valley Health System	1,000 and over	1	7.01%	1,000 and over	1	7.97%
Rubbermaid Commercial Products	1,000 and over	2	7.01%	500 - 999	3	3.98%
Wal Mart	500 - 999	3	3.50%	250 - 499	10	1.99%
Winchester City Public Schools	500 - 999	4	3.50%	500 - 999	4	3.98%
Shenandoah University	500 - 999	5	3.50%	500 - 999	8	3.98%
Axiom Staffing Group	500 - 999	6	3.50%	-	-	-
City of Winchester	250 - 499	7	1.75%	-	-	-
O'Sullivan Films, Inc.	250 - 499	8	1.75%	-	-	-
Trex Company	250 - 499	9	1.75%	-	-	-
Kohl's Department Stores	250 - 499	10	1.75%	-	-	-
Moog Automotive	-	-	-	500 - 999	2	3.98%
Polyone Engineered Films	-	-	-	500 - 999	5	3.98%
National Fruit Product Company	-	-	-	500 - 999	6	3.98%
Manpower Temporary Service	-	-	-	500 - 999	7	3.98%
Automotive Industries Man	-	-	-	250 - 499	9	1.99%
Total	5,000		35.02%	5,000		39.81%

Source: Virginia Employment Commission

Percentage calculations and totals are based on the minimum number of employees in the respective range.

Notes:

(1) Data is for January, February and March of 2006 and 1997, respectively.

**CITY OF WINCHESTER, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Fiscal Year (1)**

Table 15

	Full-Time Equivalent Employees as of June 30, 2006
<u>Function/Program</u>	
General government administration	45
Judicial administration	38
Public safety	228
Public works	39
Health and welfare	45
Parks, recreation and culture	50
Community development	13
Water and sewer	60
Bus service	15
Parking authority	12
Schools	685
	<hr/>
Total	1,230

City FTE :

A full-time employee is scheduled to work 80 hours per biweekly pay period (including annual leave, sick leave, overtime, etc.). FTE employment is calculated by dividing total labor hours per pay period by 80.

Schools FTE:

Teacher FTE is based on 200 days at 7 hours per day.

Notes:

- (1) Information is only available for last fiscal year. Data will be added until a 10 year comparison is achieved.

**CITY OF WINCHESTER, VIRGINIA
OPERATING INDICATORS BY FUNCTION
Last Fiscal Year (1)**

Table 16

Function	Fiscal Year 2006
General Government	
Building permits issued	780
Building inspections conducted (commercial and residential)	11,904
Police	
Physical arrests	4,855
Parking violations	8,524
Traffic violations	5,168
Fire	
Emergency responses	5,560
Structure fires	70
On-site fire inspections	378
Fire suppression inspection tests (2)	112
Refuse Collection	
Refuse collected (tons per year -- residential and non-residential)	8,696.24
Recyclables collected (tons per year -- does not include cardboard or yard waste)	1,922.52
Other Public Works	
Street resurfacing (miles)	2
Parks and Recreation	
Shelter permits issued	493
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	34,457
Racquetball court users	2,774
Indoor fitness room users	7,280
Water	
Number of consumers (3)	26,232
Average daily production	7.3 mgd
New connections (3)	179
Total connections (3)	10,930
Water main breaks (3)	58
Average daily consumption	5.8 mgd
Wastewater	
Average daily flow (12 month period)	4.4 mgd
Peak Flow (12 month period)	9.8 mgd
Transit	
Passenger trips	149,796
Schools	
Number of teachers, Elementary (K-5)	142
Number of teachers, Middle (6-8)	85
Number of teachers, Secondary (9-12)	94
Number of students, Elementary (K-5)	1,712
Number of students, Middle (6-8)	817
Number of students, Secondary (9-12)	1,113

Source: Various Departments in the City

Notes:

- (1) Information is only available for last fiscal year. Data will be added until a 10 year comparison is achieved.
- (2) One reported test may include multiple inspections.
- (3) Information is for calendar year 2005.

CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Fiscal Year (1)

Table 17

Function	Fiscal Year 2006
Police	
Stations	1
SubStations	1
Patrol cars	67
Fire	
Fire Stations	4
Refuse Collection	
Collection Trucks	8
Other Public Works	
Streets (miles)	94.4
Streetlights	72
Traffic signals	62
Parks and Recreation	
Number of parks	15
Acreage	240.65
Playgrounds	11
Community centers	1
Baseball/softball diamonds	8
Soccer/football fields	5
Basketball courts	7
Tennis courts	7
Volleyball court	1
Horseshoe courts	26
Water	
Miles of water mains	171.98
Fire hydrants	1,082
Water storage capacity	11.1 mg
Wastewater	
Miles of storm sewers	79.60
Miles of sanitary sewers	121.69
Opequon wastewater treatment capacity (2)	6.1 mgd
Transit	
Minibuses	9
Trolleys	2
Vans	2
Schools	
Attendance Centers, Elementary	4
Attendance Centers, Middle	1
Attendance Centers, Secondary	1
Number of classrooms, Elementary	164
Number of classrooms, Middle	85
Number of classrooms, Secondary	95

Source: Various Departments in the City

Notes:

- (1) Information is only available for last fiscal year. Data will be added until a 10 year comparison is achieved.
- (2) Operated by Frederick Winchester Service Authority



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Common Council
City of Winchester, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Winchester, Virginia, in a separate letter dated September 15, 2006.

This report is intended solely for the information and use of management, the Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Didawick & Knopp, P.C.

September 15, 2006



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Members of the Common Council
City of Winchester, Virginia

Compliance

We have audited the compliance of the City of Winchester, Virginia (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management, the Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Didawick & Knopp, P.C.

September 15, 2006



CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

I. SUMMARY OF THE AUDITOR'S RESULTS

- a. The auditor's report expresses an unqualified opinion on the financial statements of the City of Winchester.
- b. No reportable conditions in internal control were disclosed during the audit of the financial statements.
- c. No instance of noncompliance material to the financial statements of the City of Winchester were disclosed during the audit.
- d. One reportable condition in internal control over major federal award programs was disclosed during the audit and is identified as item 06-1 in Section III of this report. The condition is not reported as a material weakness.
- e. The auditor's report on compliance for the major federal award programs for the City of Winchester expresses an unqualified opinion on all major federal programs.
- f. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

- g. The programs tested as major programs included:

	<u>CFDA</u> <u>No.</u>
i. <u>Food Stamp Cluster:</u>	
Food Stamp Program	10.551
State Administrative Funding for the Food Stamp Program	10.561
ii. <u>Child Nutrition Cluster:</u>	
School Breakfast Program	10.553
National School Lunch Program	10.555
iii. <u>Workforce Investment Act (WIA) Cluster:</u>	
WIA Adult Program	17.258
WIA Dislocated Workers	17.260
iv. Community Development Block Grant – Entitlement Grants	14.218
v. <u>Special Education Cluster:</u>	
Title VIB-Special Education Grants To States	84.027
vi. Title I Grants to Local Education Agencies	84.010
vii. <u>Child Care and Development Fund Cluster:</u>	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
viii. Foster Care Title IV-E	93.658
ix. <u>Federal Transit Cluster:</u>	
Federal Transit Capital Investment Grants	20.500
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507

- h. The threshold for distinguishing Type A and Type B programs was \$300,000.
- i. The City of Winchester was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF AGRICULTURE

Virginia Department of Education

06-1 Child Nutrition Cluster – CFDA No. 10.553 and 10.555

Eligibility

Reportable Condition: For the 2005-2006 school year, the school food services department began using a cafeteria software program for tracking eligible student counts and meal claims during the school year. In addition, the school food service department processed and maintained free and reduced lunch applications for all City schools. In our testing of free and reduced price applications, we noted instances where the date of withdrawal was not indicated on the applications for students who had withdrawn during the school year. Though the cafeteria software reported withdrawn students based on information downloaded from the student database software, the food service department was not able to keep applications updated for withdrawal dates due to a staff shortage within the department.

Recommendation: The Winchester School Board should take greater care to ensure that all applications are updated timely and the applications support the student counts reported in the cafeteria software. Staff shortages should be addressed promptly to ensure that grant documentation requirements can be fully satisfied.

IV. SUMMARY OF PRIOR YEAR FINDINGS

None

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

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Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture:</u>			
Nutrition Cluster: National School Lunch Program	10.555	N/A	\$ 86,078
<u>Department of Corrections:</u>			
Nutrition Cluster: National School Lunch Program	10.555	35602	35,864
<u>Department of Education:</u>			
Nutrition Cluster: School Breakfast Program	10.553	40591	138,972
National School Lunch Program	10.555	40623	579,744
<u>Department of Forestry:</u>			
Cooperative Forestry Assistance	10.664	50105	3,020
<u>Department of Social Services:</u>			
Food Stamp Cluster: Food Stamp Program	10.551	N/A	1,741,087
State Administrative Funding for the Food Stamp Program	10.561		
Statewide Fraud Program		89101	13,143
Cost Allocations - Food Stamps		90212	29,910
Admin-Food Stamps NPA Allocation		90814	85,141
Admin-Food Stamps PA Allocation		90815	35,930
Admin-LSCA Food Stamps Allocation		90921	3,784
Admin-LSCA FSET Allocation		90919 & 90942	2,689
Admin-FSET Allocation		90928 & 90842	4,612
Admin-Food Stamp Fraud		90822	5,613
Admin-LSCA NPA Food Stamp Allocation-Elig		90887	46,787
Admin-LSCA PA Food Stamp Allocation-Elig		90888	19,173
Admin-LSCA Food Stamp Fraud Allocation-Elig		90895	2,839
Admin-Food Stamps Allocation		90930	6,959
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct Programs:</u>			
21st Century Community Learning Centers	84.287	N/A	14,118
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Adult Education - State Grant Program	84.002	61380	4,578
Title I Grants to Local Educational Agencies	84.010	42901	785,736
Special Education - Grants to States	84.027	43071, 61190, 62124, & 61110	825,110
Vocational Education - Basic Grants to States	84.048	61095 & 86652	71,987
Safe & Drug-Free Schools and Communities - State Grants	84.186	60511	32,322
21st Century Community Learning Centers	84.287	60565	213,634
State Grants for Innovative Programs	84.298	49005	19,560
Education Technology State Grants	84.318	61750	14,967
English Language Acquisition Grants	84.365	60512	62,461
Improving Teacher Quality State Grants	84.367	61480	199,857
Grants for State Assessments and Related Activities	84.369	86698	3,374
Hurricane Education Recovery	84.938	60528	22,770

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

130

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	93.556		
Family Preservation		90359 & 90360	\$ 10,936
Reunification Family Support		90361	1,484
Administration		90075	353
Temporary Assistance for Needy Families:	93.558		
VIEW - Administrative - JOBS		90046	42,419
VIEW - Jobs Purchased Service - AFDC		90365	6,549
VIEW - Jobs Support Services		90366	11,554
Transitional Transport		90367 & 90377	3,995
Aid to Dependent Children		90603	44
Admin - AFDC Allocations		90812	25,170
Admin LSCA-TANF Allocation-Elig		90885 & 90927	13,161
Admin LSCA-IV-F		90941	1,020
Admin Allocations - VIEW		90899	9,955
Admin Title IV-F TANF		90841 & 90918	58,748
Admin AFDC/TANF		90922	5,475
Refugee and Entrant Assistance (State- Administered Programs):	93.566		
Refugee Cash Assistance		90210	67
Admin - Refugee		90807	152
Admin - LSCA Refugee		90880	50
Low-Income Home Energy Assistance:	93.568		
Low Income Home Energy Assistance		90015, 90934, 90935, & 90937	6,053
Child Care and Development Block Grant:	93.575		
CDC Quality Initiative		90378	9,281
TANF Education Training		90547	2,022
Head Start		90544	16,382
CDC Fee at Risk		90545	112,079
Child Care and Development Fund:	93.596		
Child Day Care-Service Delivery		90064	50,370
Transitional Day Care		90517	897
TANF Working Day Care		90529	11,232
View TANF Working Day Care		90540	49,882
View Transitional Day Care		90541	15,294
Admin Day Care Allocation		90843 & 90916	28,100
Admin LSCA-Day Care		90943 & 90925	9,053
Foster Care - Title IV-E:	93.658		
Admin-LSCA		90876	45,977
Cost Allocation - Title IV-E		90209	17,340
Residential Foster Care		90636	100,328
Child Placing Agency		90637 & 90638	23,894
Agency Foster Homes		90639	35,311
Admin-Title IV-E FC Allocation		90802 & 90803	174,234
Admin-Title IV-E Foster Care Allocation		90813	5,851
Admin-LSCA-IV-E		90886	3,231
Admin-Title IV-E Foster Care/Adoption		90917	7,815
Admin-LSCA-IV-E FC Allocation-Elig		90926	2,693
Adoption Assistance:	93.659		
Subsidized Adoption		90606	54,083
Nonoccurring IV-E Adoption		90627	218
Admin- Subsidized Adoption Allocation/LSCA		90804 & 90877	2,128

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

131

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</u>			
<u>Pass-Through Programs: (cont'd)</u>			
<u>Department of Social Services: (cont'd)</u>			
Social Services Block Grant:	93.667		
Adult Protective Services		90379	\$ 4,939
Child Protective Services		90313	552
Adult Services - Homebound Companion		90340	10,570
Admin - SSBG Allocation		90844	345
Family Support		90357	648
Family Preservation PS		90358	2,774
Admin Adult Protective Services		90076	781
Admin Title XX Allocations		90801	169,927
CHAFEE Foster Care Independence Program	93.674	90355, 90356, & 90351	6,109
State Children's Insurance Program:	93.767		
Admin FAMIS Allocation		90840	151
Admin LSCA FAMIS Allocation		90940	99
Medical Assistance Program (Title XIX):	93.778		
Cost Allocations - Medicaid		90213	24,071
Administrative - Title XX		90820	111,653
Admin LSCA-TXIX		90893	58,664
Admin LSCA-Medicaid		90929	5,052
Admin Medicaid Allocation		90920	15,861
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct Programs:</u>			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-13475	103,500
<u>Pass-Through Programs:</u>			
<u>Department of Emergency Management:</u>			
State Domestic Preparedness Equipment Support	97.004	2003-II	273,017
Emergency Management Performance Grants	97.042	52103 & 52104	8,905
Homeland Security Grant Program	97.067	2004 SHSGP & 2005 I & ii SHSGP	46,016
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>Direct Programs:</u>			
Community Development Block Grants - Entitlement Grants	14.218	N/A	385,719
<u>Pass-Through Programs:</u>			
<u>Department of Housing and Community Development:</u>			
Community Development Block Grants - State's Program	14.228	50792	18,322
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-1177, 05-A1228LO04	2,545
Public Safety Partnership and Community Policing Grants (COPS):	16.710		
COPS-MORE		2004CKWX0614	30,000
Public Safety Partnership and Community Policing Grants (COPS):	16.710		
COPS Methamphetamine Initiative		2004-CK-WX-0021	4,555
COPS MORE		2000-CM-WX-0489	843

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

132

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF JUSTICE: (cont'd)</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice:</u>			
Juvenile Accountability Incentive Block Grants	16.523	39001	\$ 9,738
Crime Victim Assistance	16.575	06-L8584VW05	76,680
Byrne Formula Grant Program	16.579	06-A4767AD05	21,646
Violence Against Women Formula Grants	16.588		
Dedicated Officer Offender Review (DOOR) Stop		05-F3504VA04 & 06-G3504VA05	33,542
Domestic Violence/Sexual Assault Prosecution		05-G3141VA04	16,505
Byrne JAG Program	16.738	2005-DJ-BX-1247	17,007
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass-Through Programs:</u>			
<u>Virginia Employment Commission:</u>			
Workforce Investment Act - Adult Program	17.258	LWA 5-04-04 & LWA 5-05-02	334,617
Workforce Investment Act - Dislocated Workers	17.260	2004-DD-BX-1238	74,681
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct Programs:</u>			
Highway Planning and Construction	20.205	N/A	125,179
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	73005-22	71,150
Federal Transit - Formula Grants	20.507	VA-90-X279	247,000
<u>Pass-Through Programs:</u>			
<u>Department of Motor Vehicles:</u>			
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	154AL-06-52168	12,559
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.602	AA-05-51225 & 50591	4,853
Safety Incentive Grant for use of Seatbelts	20.604	52457-5	1,500
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Direct Payments:</u>			
Chesapeake Bay Program	66.466	N/A	1,500
Brownfield's Pilot Cooperative Agreement	66.811	N/A	12,316
Total Expenditures of Federal Awards			<u>\$ 8,432,790</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Winchester, Virginia and is presented on the modified accrual basis of accounting.

Didawick & Knopp

Certified Public Accountants *PC*

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Joel A. Knopp, CPA

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SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS

The Honorable Members of the Common Council
City of Winchester, Virginia

As more fully described in the Independent Auditor's Report on Compliance for the year ended June 30, 2006, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws
Cash and Investments Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Personal Property Tax Relief Act
Enhanced 911 Service Taxes

State Agency Requirements:

Education
Social Services

LOCAL COMPLIANCE MATTERS

Budget and Appropriation Ordinances

Didawick & Knopp, P.C.

September 15, 2006

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